Financial statements of the agencies and enterprises

of the gouvernement du Québec

2001 › 2002

Québec

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2001 › 2002

Publication prepared under the authority of the Minister of Finance

Finances Québec

FINANCIAL STATEMENTS OF THE AGENCIES AND ENTERPRISES OF THE GOUVERNEMENT DU QUÉBEC

2001-2002

Publication prepared under
the authority of the Minister
of Finance

Finances
Québec

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I am pleased to present this publication, which includes the financial statements of the agencies and enterprises of the Gouvernement du Québec.

Although these financial statements are usually tabled in the National Assembly, we are grouping them together in this volume for easier consultation and analysis of the financial position and operating results of the various agencies and enterprises.

Yves Séquin
Minister of Finance

Québec, June 2003

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(*) Not available at time of publication

AGENCE DE L'EFFICACITÉ ÉNERGÉTIQUE
(R.S.Q., c. A-7.001)

REVENUE AND EXPENDITURE
for the year ended March 31, 2002

	2002	2001 (Note 3)
REVENUE		
Gouvernement du Québec contribution	$5 902 582	$5 844 021
Contribution – Other partners	507 756	571 193
Other revenue	6 772	46 530
	6 417 110	6 461 744
EXPENDITURE		
Subsidies awarded (Note 4)	2 690 822	2 813 389
Sponsorships and promotion	282 991	299 240
Salaries and fringe benefits	2 048 447	1 977 842
Professional fees and administrative expenses	488 305	342 051
Communications	237 462	197 623
Training	9 297	3 354
Rent	118 821	122 602
Supplies	75 146	65 069
Maintenance and repairs	10 383	8 460
Doubtful loans	(34 025)	114 400
Depreciation of fixed assets	38 778	33 282
	5 966 427	5 977 312
EXCESS REVENUE OVER EXPENDITURE	$450 683	$484 432

SURPLUS
for the year ended March 31, 2002

	2002	2001
OPENING BALANCE		
Previously established balance	$1 112 669	$597 020
Change in accounting policy (Note 3)	(172 537)	(141 320)
Adjusted balance	940 132	455 700
Excess revenue over expenditure	450 683	484 432
CLOSING BALANCE	$1 390 815	$940 132

AGENCE DE L'EFFICACITÉ ÉNERGÉTIQUE

BALANCE SHEET
as at March 31, 2002

	2002	2001 (Note 3)
ASSETS		
Current assets		
Consolidated Revenue Fund receivable	$2 264 797	$1 754 412
Accounts receivable	350	350
Sums receivable from the Ministère des Ressources naturelles	300 408	386 167
Loans redeemable in short-term (Note 5)	132 894	50 000
	2 698 449	2 190 929
Loans (Note 5)	291 904	102 884
Fixed assets (Note 6)	79 954	87 419
	$3 070 307	$2 381 232
LIABILITIES		
Current liabilities		
Accounts payable and accruals (Note 7)	$1 240 641	$1 064 056
Revenue received in advance	133 180	68 876
	1 373 821	1 132 932
Provision for sick leave (Note 10)	238 694	241 191
	1 612 515	1 374 123
EQUITY		
Gouvernement du Québec contributed surplus	66 977	66 977
Surplus	1 390 815	940 132
	1 457 792	1 007 109
	$3 070 307	$2 381 232

COMMITMENTS (Note 8)

On behalf of the Board of Directors,
Guylaine Lehoux
Pierre Martel

AGENCE DE L'EFFICACITÉ ÉNERGÉTIQUE

CASH FLOWS
for the year ended March 31, 2002

	2002	2001 (Note 3)
OPERATING ACTIVITIES		
Excess revenue over expenditure	$450 683	$484 432
Adjustments for:		
Depreciation of fixed assets	38 778	33 282
Doubtful loans	(34 025)	114 400
Gain on disposal of fixed assets		(185)
	455 436	631 929
Change in non-cash elements related to operations		
Decrease in the sums receivable from the Ministère des Ressources naturelles	85 759	296 833
Increase in accounts payable and accruals	176 585	126 544
Increase in revenue received in advance	64 304	68 876
Change in the provision for sick leave	(2 497)	32 750
	324 151	525 003
Cash flows provided by operating activities	779 587	1 156 932
INVESTMENT ACTIVITIES		
Loans	(291 328)	(134 138)
Repayment of loans	53 440	32 259
Acquisition of fixed assets	(31 314)	(56 568)
Proceeds from disposal of fixed assets		2 185
Cash flows used for investment activities	(269 202)	(156 262)
INCREASE – ACCOUNTS RECEIVABLE FROM THE CONSOLIDATED REVENUE FUND	510 385	1 000 670
ACCOUNTS RECEIVABLE FROM THE CONSOLIDATED REVENUE FUND, BEGINNING OF YEAR	1 754 412	753 742
ACCOUNTS RECEIVABLE FROM THE CONSOLIDATED REVENUE FUND, END OF YEAR	$2 264 797	$1 754 412

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

A legal person within the meaning of the Civil Code, the Agence de l'efficacité énergétique was established by the Act respecting the Agence de l'efficacité énergétique (R.S.Q., c. A-7.001), to see to the promotion of energy efficiency, in the context of sustainable development, for all types of energy, in all sectors of activity and for the benefit of all regions of Québec.

2. ACCOUNTING POLICIES

The Agence's financial statements were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Subsidies and loans

Subsidies are posted to expenses when they are authorized and when the recipient has met the eligibility criteria, where applicable. However, recoverable subsidies are posted as loans up to the amount that it is reasonably certain to be obtained.

Fixed assets

Fixed assets are recorded at cost and depreciated over their service life according to the straight-line method at the following rates:

Automotive equipment	20%
Furniture and equipment	20%
Data processing equipment	33 1/3%

Provision for doubtful loans

When it has been determined that there is a risk that loans may not be recovered, the book values are calculated at their estimated realizable value. When the amounts and moment of realization cannot be estimated reasonably and reliably, the estimated realizable values are measured according to the market observable for these loans or in keeping with management's judgement.

Pension plans

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the Agence lacks sufficient information to apply the accounting procedure for defined-benefit plans.

Cash flows

It is the Agence's policy to present the amount receivable from the Gouvernement du Québec's Consolidated Revenue Fund as cash and cash equivalents, since the amounts from this Fund enable it to fulfil its short-term cash commitments.

3. CHANGE IN ACCOUNTING POLICY

As of this fiscal year, the liabilities resulting from vacation time accumulated by Agence employees are recorded to liabilities on the balance sheet for the year in which the employees render the services giving rise to this vacation time. Previously, these expenses were recorded on a modified accrual basis.

This change, applied retroactively, will increase (decrease) the following items in the financial statements:

	2001
Salaries and fringe benefits	$31 217
Accounts payable and accruals	172 537
Surplus	(172 537)

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

4. SUBSIDIES AWARDED

	2002	2001
Government enterprises and agencies	$104 198	$176 889
Private sector enterprises	272 535	254 382
Municipalities and municipal housing bureaus	119 250	297 250
Health and social services institutions	41 300	5 000
Private sector non-profit organizations	2 153 539	2 079 868
	$2 690 822	$2 813 389

5. LOANS

	2002	2001
Loans, interest-free, repayable from 2003 to 2007	$291 692	$129 738
Loans, interest-free, repayable in royalties	61 856	23 146
Loan, interest-free, repayable on conditions stipulated in an agreement	71 250	
	424 798	152 884
Doubtful loans		
Loans, interest-free, repayable in royalties	340 875	409 650
Loans, interest-free, repayable according to conditions stipulated in agreements	42 000	66 750
	382 875	476 400
Allowance for doubtful loans	(382 875)	(476 400)
	424 798	152 884
Loans redeemable in short term	132 894	50 000
	$291 904	$102 884

6. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net value	Net value
Automotive equipment	$73 700	$46 649	$27 051	$41 791
Furniture and equipment	19 797	15 905	3 892	7 851
Data processing equipment	133 640	84 629	49 011	37 777
	$227 137	$147 183	$79 954	$87 419

7. ACCOUNTS PAYABLE AND ACCRUALS

	2002	2001
Subsidies awarded	$732 838	$552 847
Accounts payable	187 533	191 289
Salaries and fringe benefits	64 118	45 211
Vacation time	256 152	274 709
	$1 240 641	$1 064 056

8. COMMITMENTS

The Agence is committed to paying subsidies under the programs it administers. However, these subsidies are conditional upon the appropriations allocated by Parliament. The Agence's commitments as at March 31, 2002, are as follows:

2003	$1 664 600
2004	269 208
2005	172 200
	$2 106 008

9. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements and measured at exchange value, the Agence is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Agence did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

10. FUTURE FRINGE BENEFITS

Pension plans

The staff members of the Agence participate in the Government and Public Employees Retirement Plan (RREGOP), in the Civil Service Superannuation Plan (CSSP) or in the Pension Plan of Management Personnel (PPMP). These are interenterprise defined-benefit plans and include guaranteed payments upon retirement and death.

The Agence's contributions charged to the year-end statement amount to $59 544 (2001: $66 650). The Agence's liability towards these Government plans is restricted to its contributions as an employer.

Provision for sick leave

	2002	2001
Opening balance	$241 191	$208 441
Charge for the year	31 567	72 338
Benefits paid during the year	(34 064)	(39 588)
Closing balance	$238 694	$241 191

AGENCE DE L'EFFICACITÉ ÉNERGÉTIQUE

MANAGEMENT'S REPORT

The financial statements of the Agence de l'efficacité énergétique were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Agence recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors must oversee the manner in which management performs its financial reporting duties, and has approved the financial statements.

The Auditor General of Québec has audited the Agence's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the board of directors to discuss any matter related to the audit.

Réjean Carrier
Director General

Québec, July 4, 2002

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Agence de l'efficacité énergétique as at March 31, 2002, the statement of revenue and expenditure, the statement of surplus and the cash flow statement for the year then ended. These financial statements are the responsibility of Agence management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Agence's financial position as at March 31, 2002 and the results of its operations and its cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on basis consistent with that of the preceding year.

On behalf of the Acting Auditor General of Québec,
France Alain, CA
Director of Consulting Services
and Quality Assurance

Québec, July 4, 2002

AGENCE MÉTROPOLITAINE DE TRANSPORT
(R.S.Q., c. A-7.02)
GENERAL FUND

REVENUE, EXPENDITURE AND RESERVE FOR FUTURE ACTIVITIES (DEFICIT)
for the year ended December 31, 2001
(in thousands of dollars)

	Budget 2001 (unaudited)	2001	2000
REVENUE			
Government remittances:			
for fuel tax	46 119	43 245	44 440
for licence fees	43 590	43 781	42 513
Net revenue from TRAM sales (Note 3)	42 925	43 908	39 570
Revenue from commuter trains (Note 4)	27 889	25 725	23 682
Municipal contributions to the cost of commuter rail systems (Note 4)	21 550	21 555	19 995
Subsidies from the Ministère des Transports du Québec to service the public transit operating authorities debt (Note 13):			
for commuter trains	14 759	15 252	15 891
for metropolitan transit facilities	8 697	9 215	2 880
Assistance for adapted transportation program	433	265	223
Government assistance for the Allégo employer program	870	153	
Revenue from metropolitan expresses	2 036	919	733
Municipal contributions to metropolitan expresses	533	300	145
Other	1 512	1 680	1 105
	210 913	205 998	191 177
EXPENDITURE			
Sharing of revenue derived from commuter trains	3 189	2 746	2 875
Distribution of net revenue from TRAM sales (Note 3)	42 925	43 908	39 570
Metropolitan assistance and related expenditures (Note 5)	54 878	51 186	54 198
Commuter trains (Note 4)	60 331	60 195	54 240
Metropolitan transit facilities	9 200	8 778	7 591
Public transit operating authority debt servicing (Note 13):			
for commuter trains	15 500	15 403	15 993
for metropolitan transit facilities	9 228	9 818	4 533
Operating expenses	4 086	3 958	4 067
Development assistance	1 217	928	1 034
Assistance for reduced rate TRAM tickets and related expenditures (Note 6)	4 457	4 132	5 871
Adapted transportation	577	392	387
Allégo employer program	970	153	
Metropolitan expresses	3 426	2 711	1 550
Other	929	926	949
	210 913	205 234	192 858
NET RESULT BEFORE BALANCING SUBSIDY		764	(1 681)
Reserve for future activities (deficit), beginning of year		(764)	2 417
Deficiency grant (Note 7)			(1 500)
RESERVE FOR FUTURE ACTIVITIES (DEFICIT), END OF YEAR			(764)

See notes to the financial statements.

AGENCE MÉTROPOLITAINE DE TRANSPORT

GENERAL FUND

BALANCE SHEET
as at December 31,
(in thousands of dollars)

	2001	2000
ASSETS		
Cash on hand and term deposits	7 583	5 056
Government remittances receivable	19 802	19 131
Amount receivable from public transit operating authorities (Note 8)	5 387	8 292
Amount receivable from the Ministère des Transports du Québec	483	552
Spare parts for commuter trains	2 012	2 127
Other	3 523	1 402
	38 790	36 560
LIABILITIES AND FUND BALANCE		
Accounts payable and accruals	7 341	6 002
Short-term loan (Note 11)		6 000
Amount payable to public transit operating authorities (Note 9)	31 331	23 631
Deficiency grant payable (Note 7)		1 500
Amount payable to municipalities	118	191
	38 790	37 324
FUND BALANCE		
Reserve for future activities (deficit)		(764)
	38 790	36 560

COMMITMENTS AND CONTINGENCIES (Note 13)

See notes to the financial statements.

On behalf of the Board of Directors,
Florence Junca-Adenot
Paul St-Jacques

AGENCE MÉTROPOLITAINE DE TRANSPORT

FIXED ASSETS FUND

OPERATIONS AND PERMANENT FINANCING TO BE OBTAINED
for the years ended December 31
(in thousands of dollars)

	2001	2000
PERMANENT FINANCING		
Ministère des Transports du Québec subsidies (Note 12)	56 387	34 552
Municipal contributions (Note 10)	14 916	14 739
Other subsidies	1 034	
Other	516	375
	72 853	49 666
INVESTMENT IN CAPITAL ASSETS		
Commuter trains		
Dorion-Rigaud	600	25 175
Deux-Montagnes	2 019	1 458
Blainville	14 473	275
Saint-Hilaire		3 388
Metropolitan facilities		
Reserved traffic lanes	1 213	3 791
Terminus	1 119	30 155
Incentive parking	1 213	5 404
Renovation of original subway system	(42)	1 569
Feasibility studies – light rail system		266
Feasibility studies – metro extensions		1 810
Feasibility studies – miscellaneous		142
Other	1 384	551
Change in construction work in progress	57 358	(5 355)
	79 337	68 629
DEFICIENCY OF PERMANENT FINANCING OVER INVESTMENTS	(6 484)	(18 963)
Permanent financing obtained (to be obtained), beginning of year	(3 324)	15 639
PERMANENT FINANCING TO BE OBTAINED, END OF YEAR	(9 808)	(3 324)

See notes to the financial statements.

AGENCE MÉTROPOLITAINE DE TRANSPORT

FIXED ASSETS FUND

BALANCE SHEET
as at December 31
(in thousands of dollars)

	2001	2000
ASSETS		
Cash on hand and term deposits	1 461	13 150
Amount receivable from the Ministère des Transports du Québec	112 601	64 205
Other	971	999
	115 033	78 354
LIABILITIES AND FUND BALANCE		
Accounts payable and accruals	15 125	13 184
Notes payable (Note 12)	109 716	68 494
	124 841	81 678
FUND BALANCE		
Permanent financing to be obtained	(9 808)	(3 324)
	115 033	78 354

COMMITMENTS AND CONTINGENCIES (Note 13)

See notes to the financial statements.

On behalf of the Board of Directors,
Florence Junca-Adenot
Paul St-Jacques

AGENCE MÉTROPOLITAINE DE TRANSPORT

CAPITAL ASSETS
as at December 31
(in thousands of dollars)

	2001	2000
CAPITAL ASSETS		
Commuter trains - Deux-Montagnes		
Land	13 504	13 504
Infrastructures	79 561	77 542
Rolling stock	129 189	129 189
Commuter trains - Dorion-Rigaud		
Infrastructures	28 044	27 500
Rolling stock	71 881	71 826
Commuter trains – Blainville		
Land	403	403
Infrastructures	5 655	5 510
Rolling stock	20 873	6 545
Commuter trains – Saint-Hilaire		
Infrastructures	1 116	1 116
Rolling stock	2 272	2 272
Metropolitan transit facilities		
Reserved traffic lanes	8 683	7 470
Incentive parking	11 458	10 245
Terminus	33 059	31 939
Spare parts for commuter trains	1 944	2 365
Construction work in progress	79 439	22 347
	487 081	409 773
EQUITY		
Investment in fixed assets	487 081	409 773
	487 081	409 773

COMMITMENTS AND CONTINGENCIES (Note 13)

See notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS
December 31, 2001
(in thousands of dollars)

1. STATUS AND NATURE OF ACTIVITIES

The Agence métropolitaine de transport (AMT) is a legal person established in the public interest by the Act respecting the Agence métropolitaine de transport, R.S.Q., c. A-7.02 (the Act). The AMT has authority over public transit systems located within its territory, which represents the combined territories of the Communauté urbaine de Montréal and that of the Kahnawake Indian reserve. It began operations on January 1, 1996.

The purpose of the AMT is to support, develop, coordinate and promote shared transportation, including special transportation services for the handicapped, to improve commuter train services and ensure their development, to foster the integration of the services provided by various modes of transportation and to increase the efficiency of traffic corridors. The AMT's areas of jurisdiction include:

- commuter rail systems;
- metropolitan transit, certain bus transit services and certain facilities and infrastructures required for the efficient operation of its metropolitan bus transit system;
- certain metropolitan traffic lanes reserved for mass transit.

2. SIGNIFICANT ACCOUNTING POLICIES

Preparation of the financial statements requires management to formulate estimates and hypotheses that affect the amounts presented in the financial statements. The actual results may differ from these estimates. In management's opinion, the financial statement were prepared properly showing judgement, within reasonable limits, of the relative importance of and in the context of the accounting policies summarized below.

i) General Fund

In accordance with the provisions of the Act and the practices of fund accounting, the AMT uses a general fund to account for its current operations related to service delivery and operations, as well as the related assets and liabilities.

ii) Fixed Assets Fund

In accordance with the provisions of the Act and the practices of fund accounting, the AMT uses a fixed assets fund to record and control permanent revenue and investments related to fixed assets.

The non-refundable amounts granted the AMT for investments on fixed assets are posted to permanent financing in the statement of operations and to permanent financing to be obtained for the Fixed Assets Fund. The balance of the Fixed Assets Fund represents the cumulative surplus or deficiency of the permanent financing for the investments for fixed assets obtained for future investments or to be obtained from the permanent financing for future fiscal years.

iii) Statement of Capital Assets

The AMT uses a statement of capital assets to account for the elements of capital assets acquired from its Fixed Assets Fund.

Accounting method

The AMT's operations are recorded on an accrual basis.

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Government subsidies

Government subsidies are recorded as revenue or as permanent financing in the appropriate fund and in the fiscal year for which they were granted.

Spare parts

Spare parts for commuter trains are valued at the lower of cost, less an allowance for obsolescence, or replacement cost.

Fixed assets

Fixed assets are recorded at cost in the statement of capital assets and are not depreciated.

3. NET REVENUE FROM TRAM SALES

Net revenue from TRAM sales corresponds to metropolitan transit tickets sold by public transit operating authorities (PTOA) giving the bearer access to transportation services provided by more than one PTOA. In keeping with section 42 of the Act, the AMT and the PTOAs share the receipts from the sale of metropolitan transport documents according to use of their respective transportation systems.

The breakdown of revenues from TRAM sales, net of the allocation of a portion of the revenues to commuter trains, is as follows:

	Budget 2001 unaudited	2001	2000
Société de transport de la Communauté urbaine de Montréal	18 111	18 185	15 921
Société de transport de la Rive-Sud de Montréal	11 740	12 048	11 270
Société de transport de la Ville de Laval	6 489	6 631	6 083
Intermunicipal transportation councils	4 789	5 622	4 653
Municipalities	1 796	1 422	1 643
	42 925	43 908	39 570

4. COMMUTER TRAINS

Commuter train receipts

The breakdown of receipts of the commuter train lines is as follows:

	Budget 2001 unaudited	2001	2000
Deux-Montagnes	14 291	13 619	13 398
Dorion-Rigaud	6 314	6 060	5 502
Blainville	4 807	5 070	4 419
Saint-Hilaire	2 245	808	363
Delson	232	168	
	27 889	25 725	23 682

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

4. COMMUTER TRAINS (cont'd)

Municipal Contributions to Commuter Trains

In keeping with the Act, the AMT breaks down a portion of the operating and management costs of the Deux-Montagnes and Dorion-Rigaud commuter train lines between the municipalities served by a commuter train line according to the train-kilometers serving each section. The municipalities whose territory is served by the same section share the amount established for that section on a prorated basis in keeping with their standardized real estate value, within the meaning of section 261.1 of the Act respecting municipal taxation (R.S.Q., c. F-2.1), established for the reference year. For those municipalities belonging to the territory of the Communauté urbaine de Montréal (hereinafter called the CUM), the AMT invoices the CUM which, in keeping with the terms and conditions of payment prescribed in the Act, where applicable, must pay the AMT an amount equal to the total that the municipalities on its territory would have had to pay.

In keeping with the Act, the AMT breaks down a portion of the operating and management costs of the Blainville commuter train lines between the municipalities served by this commuter train line according to the number of commuter train departures, at each station, for each section.

The breakdown of municipal contributions to the commuter railroad lines is as follows:

	Budget 2001 unaudited	2001	2000
Deux-Montagnes	10 310	10 388	9 883
Dorion-Rigaud	7 748	7 853	7 785
Blainville	3 186	2 968	2 327
Delson	306	346	
	21 550	21 555	19 995

Operating costs

The breakdown of the operating and management costs for the commuter railroad lines are as follows:

	Budget 2001 unaudited	2001	2000
Deux-Montagnes	25 775	25 970	24 709
Dorion-Rigaud	19 000	18 976	18 990
Blainville	7 964	8 079	8 188
Blainville - 5e train	1 000	1 010	
Saint-Hilaire	5 826	5 294	2 353
Delson	766	866	
	60 331	60 195	54 240

5. METROPOLITAN TRANSIT ASSISTANCE AND RELATED EXPENDITURES

On the basis of factors and in the manner established by it, the AMT granted financial assistance to the PTOAs to compensate, in whole or in part, the cost of their contribution to the metropolitan bus or subway transit system, or the cost of servicing a reserved traffic lane.

The amount of metropolitan transit assistance was shared as follows:

	Budget 2001 unaudited	2001	2000
Metro:			
Société de transport de la Communauté urbaine de Montréal	42 100	39 032	41 800
Bus:			
Société de transport de la Communauté urbaine de Montréal	6 440	5 928	6 102
Société de transport de la Rive-Sud de Montréal	2 886	2 991	2 932
Société de transport de la Ville de Laval	1 785	1 459	1 654
Intermunicipal transportation councils	1 345	1 318	1 382
Municipalities	272	281	273
	12 728	11 977	12 343
Related expenditures	50	177	55
	54 878	51 186	54 198

6. ASSISTANCE FOR REDUCED AND INTERMEDIATE RATE TRAM TICKETS AND RELATED EXPENDITURES

Under subparagraph 9, paragraph 1, section 35 of the Act, since 1999, the AMT has assumed the discount offered for TRAM tickets. The rationale for this approach was to compensate, in whole or in part, the PTOAs for the reduced and intermediate rate tickets offered to TRAM users. For the year 2001, the AMT set the ceiling for assistance for reduced and intermediate rate TRAM tickets at $4 132 000 for the zone 2-8 TRAM ($5 563 000 for the zone 3-8 TRAM in 2000).

The assistance for reduced and intermediate rate TRAM tickets breaks down as follows:

	Budget 2001 unaudited	2001	2000
Société de transport de la Communauté urbaine de Montréal	1 792	1 712	2 624
Société de transport de la Rive-Sud de Montréal	1 132	1 080	1 468
Société de transport de la Ville de Laval	649	580	1 199
Intermunicipal transportation councils	648	574	210
Municipalities	236	186	62
	4 457	4 132	5 563
Related expenditures			308
	4 457	4 132	5 871

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

7. DEFICIENCY GRANT

The creation of the AMT enabled sharing of the tax burden between the municipalities making up the Agency's territory. For some, this means an increased financial contribution to the cost of the public transit system.

With a view to reducing this budgetary impact over the AMT's first five fiscal years, i.e. until December 31, 2000, the AMT was to slate an amount from its surplus to be distributed among certain municipalities and transit agencies. For the year 2000, the deficiency grant breaks down as follows:

	2001	2000
Société de transport de la Ville de Laval		675
Société de transport de la Rive-Sud de Montréal		675
Municipalities		150
		1 500

8. AMOUNT RECEIVABLE FROM PUBLIC TRANSIT OPERATING AUTHORITIES

	2001	2000
Société de transport de la Communauté urbaine de Montréal	390	4 616
Société de transport de la Rive-Sud de Montréal	71	1 160
Société de transport de la Ville de Laval	2 833	1 405
Intermunicipal transportation councils	1 749	943
Municipalities	344	168
	5 387	8 292

9. AMOUNT PAYABLE TO PUBLIC TRANSIT OPERATING AUTHORITIES

	2001	2000
Société de transport de la Communauté urbaine de Montréal	23 891	19 279
Société de transport de la Rive-Sud de Montréal	4 274	2 305
Société de transport de la Ville de Laval	2 167	1 241
Intermunicipal transportation councils	842	740
Municipalities	157	66
	31 331	23 631

10. MUNICIPAL CONTRIBUTIONS TO THE COST OF COMMUTER RAIL SYSTEMS

To help finance part of the Fixed Assets Fund's capital expenditures, those municipalities whose territory falls within that of the AMT have to pay an annual amount of one cent per $100 of their standardized real estate value, as defined in section 261.1 of the Act respecting municipal taxation (R.S.Q., c. F-2.1), established for the reference year.

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

11. SHORT-TERM LOAN

In keeping with Order-in-Council 1124-2001 of September 19, 2001, the Gouvernement du Québec gave the AMT authorization until September 30, 2003 to contract fluctuating or fixed rate loans from Canadian financial institutions or the Ministère des Finances, up to a maximum, including financing charges, of $100 000 000 in legal Canadian tender. The term of these loans shall, under no circumstances, exceed one year.

12. NOTES PAYABLE

The AMT contracted loans with the Ministère des Finances as manager of the Financing Fund. Under the Gouvernement du Québec's mass transit assistance program, the MTQ committed to paying the AMT an annual subsidy of an amount corresponding to the reimbursement of these notes, capital and interest. During the fiscal year, the total amount of the MTQ subsidy for the reimbursement of these notes rose to $9 066 000, including $3 606 000 in interest.

Notes payable breakdown as follows:

Issue date	Amount authorized	Interest rate %	Maturity date	Balance at beginning of fiscal year	Issued during fiscal year	Repayment during fiscal year	Balance at end of fiscal year
29-12-1998	16 850	5.046	01-12-2003	14 048		(1 476)	12 572
03-12-1999	13 939	6.320	01-06-2009	12 826		(1 181)	11 645
07-07-2000	4 674	6.340	01-10-2007	4 441		(330)	4 111
07-07-2000	7 218	6.340	01-10-2007	7 014		(182)	6 832
07-07-2000	8 531	6.340	01-10-2007	8 290		(215)	8 075
25-08-2000	9 547	6.270	01-10-2007	9 542		(658)	8 884
25-08-2000	2 685	6.270	01-10-2007	2 685		(54)	2 631
25-08-2000	520	6.270	01-10-2007	520		(36)	484
21-12-2000	9 128	5.948	01-12-2010	9 128		(719)	8 409
21-09-2001	2 515	5.958	01-12-2010		2 515	(145)	2 370
21-09-2001	2 517	5.958	01-12-2010		2 517	(145)	2 372
21-09-2001	1 365	5.958	01-12-2010		1 365	(44)	1 321
21-09-2001	10 300	5.958	01-12-2010		10 300	(331)	9 969
21-09-2001	203	5.958	01-12-2010		203	(12)	191
21-09-2001	3 500	5.958	01-12-2010		3 500	(201)	3 299
22-11-2001	635	5.866	01-12-2010		635		635
22-11-2001	633	5.866	01-12-2010		633		633
22-11-2001	5 000	5.866	01-12-2010		5 000		5 000
22-11-2001	17 160	5.866	01-12-2010		17 160		17 160
22-11-2001	3 123	5.866	01-12-2010		3 123		3 123
				68 494	46 951	(5 729)	109 716

The breakdown of the annual reimbursement of capital and interest for these notes over the next fiscal years is as follows:

2002	14 451
2003	23 841
2004	12 285
2005	12 285
2006	12 285
2007 and thereafter	68 465
	143 612
Less interest	33 896
	109 716

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

13. COMMITMENTS AND CONTINGENCIES

General Fund commitments

The AMT signed contractual agreements with a number of suppliers, mainly for the operation and management of commuter rail systems and metropolitan transit facilities. Commitments under these agreements for the coming fiscal years are as follows:

2002	49 276
2003	23 688
2004	22 911
2005	19 981
2006	1 072
2007 and thereafter	3 555
	120 483

Fixed Assets Fund commitments

The AMT has contractual agreement with certain suppliers for the various capital assets projects in progress. The MTQ has made the commitment vis-à-vis the AMT to subsidize a portion of these capital assets investments. Commitments under the contracts awarded for these projects are as follows:

2002	28 659
2003	12 392
2004	11 707
2005	8 409
2006	456
	61 623

Assets transferable to the AMT

Under the Act, the AMT must acquire, through transfers, a series of metropolitan facilities identified in Order-in-Council 567-96 of May 15, 1996 and including park and ride facilities, stations and metropolitan infrastructures. This transfer of assets must occur gradually with the agreement of the current owners. Clearly payment of the operating costs and fixed assets for these assets is conditional on the property transfers. Only STL assets were transferred in 2001, transfer of STRSM assets occurred on March 11, 2002.

Debt service for public transit operating authorities for commuter trains and metropolitan transit facilities

Under sections 37 and 152 of the Act, the STCUM, the STRSM and the STL maintain the debt service for the financing of goods whose ownership was or will be transferred to the AMT. The three transit corporations remain responsible for the commitments represented by the securities they have issued, which continue to constitute direct, general obligations for them. The AMT reimburses the STCUM, the STRSM and the STL, in capital and interest, based on the maturity dates of their debt service payments. Future payment under these obligations, for which the AMT receives annual subsidies covering a portion of these payments, break down as follows for the coming fiscal years:

13. COMMITMENTS AND CONTINGENCIES (cont'd)

Debt service of public transit operating authorities for commuter trains and metropolitan transit facilities (cont'd)

2002	16 787
2003	10 400
2004	8 422
2005	7 965
2006	6 253
2007 and thereafter	2 331
	52 158

Claims

In the normal course of affairs, the AMT is subject to various claims. Specifically, the AMT received a claim for $3 565 135 from a general contractor for renovations to the Longueuil intermodal station. Moreover, the general contractor and its subcontractors have registered legal mortgages against the building. On December 21, the Superior Court handed down a ruling in this case involving the petition in forced release and payment of a subcontractor and decided that no legal mortgage could be taken out against Terminus Longueuil. The subcontractor has appealed the ruling.

The AMT is contesting the basis of these claims and deems that the outcome of these lines will have no significant impact on the AMT's financial situation or performance. Any loss, if applicable, resulting from these claims will be posted to the results of the fiscal year during which they become known.

Insurance

The AMT shares, according to set policies, liability for damages or any other claim arising out of the operating agreements for its commuter railroad lines. A provision equal to 0.5% of the annual operating budgets for commuter trains up to a cumulative provision of $5 000 000 is recorded in the AMT's books to cover risks that are not insured in related to the operation of commuter trains. The total of the amount provided for to date is $1 263 000 (2000: $1 030 000).

14. COMPARATIVE FIGURES

Certain 2000 figures were reclassified for consistency with the presentation adopted in 2001.

AGENCE MÉTROPOLITAINE DE TRANSPORT

AUDITORS' REPORT

To the Board of Directors of the
Agence métropolitaine de transport

We have audited the balance sheets of the General Fund and the Fixed Assets Fund and the statement of capital assets of the Agence métropolitaine de transport (AMT) as at December 31, 2001, the statement of revenue and expenditure and deferred revenue of the General Fund and the statement of operations and permanent financing of the Fixed Assets Fund for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility consists in expressing an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In our opinion, these financial statements present fairly, in all material respects, the Agence's financial position as at December 31, 2001 and the results of its operations and its cash flows for the year then ended, in accordance with the accounting principles disclosed in Note 2.

The budget figures are shown for comparison purposes only and were not audited. Consequently, we have not expressed an opinion on them.

Ernst & Young, SRL
Chartered Accountants

Montréal, Québec,
March 15, 2002

BIBLIOTHÈQUE NATIONALE DU QUÉBEC
(R.S.Q., c. B-2.1)

REVENUE AND EXPENDITURE
for the fiscal year April 1 to March 3, 2002

	March 3, 2002			March 31 2001
	Operations	Fixed assets	Total (11 months)	Total (12 months) (Note 4)
REVENUE				
Gouvernement du Québec subsidies				
Operations	$8 972 283	$23 817	$8 996 100	$8 891 556
Interest on long-term debt		891 529	891 529	996 126
Amortization of deferred subsidies		600 687	600 687	693 556
Donations related to the heritage collection	762 649		762 649	1 775 411
Sales of goods and services	335 813		335 813	413 168
Interest on bank deposits	60 945		60 945	89 133
	10 131 690	1 516 033	11 647 723	12 858 950
EXPENDITURE				
Salaries and fringe benefits	6 049 769		6 049 769	6 106 425
Rent	616 961		616 961	669 285
Transportation and communications	367 695		367 695	468 515
Professional and administrative services	447 587		447 587	686 598
Maintenance and repairs	361 189		361 189	374 252
Materials and supplies	365 154		365 154	457 290
Hosting and promotion	73 024		73 024	110 309
Financial expenses (Note 5)		927 234	927 234	1 034 510
Other	4 770		4 770	3 603
Depreciation of fixed assets		655 980	655 980	769 746
	8 286 149	1 583 214	9 869 363	10 680 533
Heritage collection (Note 6)				
Donations	762 649		762 649	1 775 411
Purchases	274 207		274 207	513 133
	9 323 005	1 583 214	10 906 219	12 969 077
EXCESS REVENUE OVER EXPENDITURE (EXPENDITURE OVER REVENUE)	$808 685	$(67 181)	$741 504	$(110 127)

BIBLIOTHÈQUE NATIONALE DU QUÉBEC

FUNDS BALANCE
for the fiscal year April 1 to March 3, 2002

	March 3, 2002			March 31 2001
	Operations	Fixed-assets	Total	Total (Note 4)
FUNDS BALANCE, BEGINNING OF YEAR				
Previously established balance	$(1 089 287)	$1 639 745	$550 458	$679 134
Adjustment (Note 4)	812 198		812 198	793 649
Adjusted balance	(277 089)	1 639 745	1 362 656	1 472 783
Excess revenue over expenditure	808 685	(67 181)	741 504	(110 127)
FUNDS BALANCE, END OF YEAR	$531 596	$1 572 564	$2 104 160	$1 362 656

BIBLIOTHÈQUE NATIONALE DU QUÉBEC

BALANCE SHEET
as at March 3, 2002

	March 3, 2002			March 31 2001
	Operations	Fixed-assets	Total	Total (Note 4)
ASSETS				
Current assets				
Cash and cash equivalents (Note 14)	$2 672 848		$2 672 848	$668 131
Accounts receivable	130 701		130 701	147 601
Gouvernement du Québec subsidies receivable (Note 7)		$1 130 336	1 130 336	2 454 167
Owed by the General Fund, interest-free		109 717		
Prepaid expenses	113 248		113 248	30 860
	2 916 797	1 240 053	4 047 133	3 300 759
Deferred discount on long-term debt		216 210	216 210	252 005
Gouvernement du Québec subsidies receivable (Note 7)		13 546 535	13 546 535	13 984 254
Fixed assets (Note 8)		13 755 449	13 755 449	14 377 288
	$2 916 797	$28 758 247	$31 565 327	$31 914 306
LIABILITIES				
Current liabilities				
Accounts payable and accruals	$396 637		$396 637	$547 022
Short-term borrowings				433 946
Interest payable		$389 171	389 171	487 046
Provision for vacation time	564 179		564 179	521 178
Owed to the Fixed Assets Fund, interest-free	109 717			
Instalments on long-term debt (Note 9)		739 545	739 545	712 509
	1 070 533	1 128 716	2 089 532	2 701 701
Provision for sick leave (Note 11)	1 314 668		1 314 668	1 157 277
Deferred Gouvernement du Québec subsidies (Note 10)		12 406 720	12 406 720	12 708 418
Long-term debt (Note 9)		13 650 247	13 650 247	13 984 254
	2 385 201	27 185 683	29 461 167	30 551 650
FUNDS BALANCE	531 596	1 572 564	2 104 160	1 362 656
	$2 916 797	$28 758 247	$31 565 327	$31 914 306

ACTIVITY TRANSFER (Note 13)

On behalf of the Board of Directors,
Lise Bissonnette
Jacques Desautels

BIBLIOTHÈQUE NATIONALE DU QUÉBEC

CASH FLOWS
for the fiscal year April 1 to March 3, 2002

	March 3, 2002			March 31 2001
	Operations	Fixed assets	Total (11 months)	Total (12 months)
OPERATING ACTIVITIES				
Excess revenue over expenditure (expenditure over revenue)	$808 685	$(67 181)	$741 504	$(110 127)
Adjustments for:				
Depreciation of fixed assets		655 980	655 980	769 746
Amortization of deferred subsidies		(600 687)	(600 687)	(693 556)
Increase in deferred subsidies		298 989	298 989	
Amortization of the discount on long term debt		35 796	35 796	38 771
Loss on disposal of fixed assets				3 130
	808 685	322 897	1 131 582	7 964
Change in non-cash elements				
Accounts receivable	16 900		16 900	(116 728)
Subsidies receivable	1 254 800	506 750	1 761 550	833 785
Prepaid expenses	(82 388)		(82 388)	30 271
Accounts payable and accruals	(150 386)		(150 386)	(392 463)
Interest payable		(97 875)	(97 875)	(17 477)
Provision for vacation time	43 001		43 001	13 124
Provision for sick leave	157 391		157 391	10 432
	2 048 003	731 772	2 779 775	368 908
INVESTMENT ACTIVITY				
Purchase of fixed assets		(34 141)	(34 141)	(219 623)
Proceed of disposal of fixed assets				6 945
		(34 141)	(34 141)	(212 678)
FINANCING ACTIVITIES				
Variation in the short-term borrowing		(433 946)	(433 946)	141 396
Issuing of long-term debt		405 538	405 538	
Repayment of long-term debt		(712 509)	(712 509)	(712 510)
		(740 917)	(740 917)	(571 114)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$2 048 003	$(43 286)	2 004 717	(414 884)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR			668 131	1 083 015
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 14)			$2 672 848	$668 131
INTEREST PAID			$989 313	$1 035 052

NOTES TO FINANCIAL STATEMENTS
March 3, 2002

1. CONSTITUTION AND PURPOSE

The Bibliothèque nationale du Québec was established under a special Act (R.S.Q., c. B-2.1) for the purpose of assembling, preserving and disseminating Québec's published-document heritage, any related document of cultural interest and documents relating to Québec published outside Québec. Under section 3 of the legislation creating it, the Bibliothèque nationale du Québec is an agent of the State and, as such, does not pay income tax.

2. PURPOSE OF THE FUNDS

The General Fund discloses the Bibliothèque's current operations.

The Fixed Assets Fund discloses operations related to the acquisition and financing of the Bibliothèque's fixed assets.

3. ACCOUNTING POLICIES

The Bibliothèque's financial statements were prepared by management on the accrual basis in accordance with the accounting policies disclosed below. These statements include amounts based on best estimates and judgements.

Subsidy recording

Subsidies are recorded as revenue in the fiscal year in which the related expenses were incurred.

Collection

The documents of the heritage collection, described in Note 6, that were purchased are recorded as Operating Fund expenditures.

The value of heritage documents acquired through donations is determined by experts and, when required, sanctioned by the Canadian Government's Canadian Cultural Property Export Review Board Commission.

Heritage documents acquired by legal deposit and donations without receipts are not recorded in the financial statements due to the difficulty in determining their fair value.

Expenditures related to subscriptions included in the heritage collection, books and collections, are recorded when paid.

Deferred discount on long-term debt

The discount on the long-term debt is deferred and amortized according to the straight-line method over the initial term of the borrowing.

Fixed assets

Fixed assets are recorded at cost and amortized according to the straight-line method over the duration of their estimated service life, namely:

Building	40 years
Furniture and fixtures	10 years
Equipment	5 years
Automotive equipment	5 years
Data processing equipment	3 years

Pension plans

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the Bibliothèque lacks sufficient information to apply the accounting procedure for defined-benefit plans.

4. CHANGES IN ACCOUNTING POLICIES

The Gouvernement du Québec awarded a specific subsidy of $1 250 000 for funding expenses related to vacation time and sick leave accumulated by Bibliothèque employees as at March, 31 2001.

Furthermore, during the fiscal year April 1, 2001 – March 3, 2002, the Bibliothèque modified its policy for managing vacation time payable based on the days acquired during the fiscal year to an expenditure for that fiscal year.

These modifications, which apply retroactively with adjustment of figures of previous fiscal years, increase (decrease) the following items in the financial statements:

General Fund	2002	2001
Gouvernement du Québec subsidies		$23 556
Salaries and fringe benefits	$5 009	5 007
Excess revenue over expenditure	(5 009)	18 549
Gouvernement du Québec subsidies receivable		1 250 000
Provision for vacation time	442 811	437 802
Fund balance	(442 811)	812 198

5. FINANCIAL EXPENSES

	2002	2001
Interest on long-term debt	$880 037	$978 446
Interest on short-term borrowings	11 401	17 293
Amortization of the discount on deferred long-term debt	35 796	38 771
	$927 234	$1 034 510

6. HERITAGE COLLECTION

The Bibliothèque nationale's heritage collection comprises the following categories of documents: general collections of books, journals and reviews, including all documents published in Québec received since 1968 by legal deposit and documents published in Québec since 1764; special collections, so designated to reflect their rarity or format, notably including rare and old books, sheet music and maps; private archives in the fields of literature and the fine arts.

These heritage documents are of cultural and historical value. They are assembled for permanent safekeeping. As a result, they are cared for so as to preserve them and special procedures govern their consultation by the public.

7. GOUVERNEMENT DU QUÉBEC SUBSIDIES RECEIVABLE

Gouvernement du Québec subsidies receivable presented as short-term correspond to interest accrued on the long-term debt and capital repayments on the long-term debt in the coming fiscal year.

Long-term subsidies represent total Gouvernement du Québec commitments related to fixed assets and their maintenance minus capital on the long-term debt already repaid and to be repaid in the coming fiscal year.

8. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net	Net
Land	$994 000		$994 000	$994 000
Building	13 690 971	$1 997 141	11 693 830	12 000 947
Furniture and fixtures	1 969 823	1 020 993	948 830	1 092 407
Equipment	701 312	652 853	48 459	87 261
Automotive equipment	24 250	23 846	404	4 850
Data processing equipment	1 872 473	1 802 547	69 926	197 823
	$19 252 829	$5 497 380	$13 755 449	$14 377 288

9. LONG-TERM DEBT

	2002	2001
Borrowings on a note from the Financing Fund of the Gouvernement du Québec:		
- 6.5% (effective rate of 6.812%), repayable in annual instalments of $685 916 until October 1, 2006 and a final instalment of $10 288 740 on October 1, 2007	$13 718 320	$14 404 236
- 6.296% (effective rate of 6.431%), repayable in annual instalments of $27 036 until June 28, 2009 and a final instalment of $189 251 on June 28, 2010	405 538	
- 6.5% (effective rate of 6.812%), repayable in annual instalments of $26 593 until October 1, 2006 and a final instalment of $132 970 on October 1, 2007	265 934	292 527
	14 389 792	14 696 763
Instalments due within one year	739 545	712 509
	$13 650 247	$13 984 254

Payments of principal on the long-term debt for the next five fiscal years are $739 545 a year. Payment of the principal and interest on these borrowings is guaranteed by the Gouvernement du Québec, which has committed to paying a subsidy to cover their repayment.

10. DEFERRED GOUVERNEMENT DU QUÉBEC SUBSIDIES

	2002	2001
Fixed Assets Fund		
Opening balance	$12 708 418	$13 401 974
Increase for the year	298 989	
Amortization for the year	(600 687)	(693 556)
Closing balance	$12 406 720	$12 708 418

11. FUTURE FRINGE BENEFITS

Pension plans

Bibliothèque employees participate in the Government and Public Employees Retirement Plan (RREGOP), the Civil Service Superannuation Plan (CSSP) or the Pension Plan of Management Personnel (PPMP). These are interenterprise defined-benefit plans and include guaranteed payments upon retirement and death.

The Bibliothèque's contributions charged to the year-end statement amount to $195 225 (2001: $192 670). The Bibliothèque's liability towards these Government plans is restricted to its contributions as an employer.

Provisions for sick leave

	2002	2001
Opening balance	$1 157 277	$1 146 845
Charge for the year	338 414	207 358
Benefits paid during the year	(181 023)	(196 926)
Closing balance	$1 314 668	$1 157 277

12. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in the financial statements, the Bibliothèque is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Bibliothèque did not conclude any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

13. ACTIVITY TRANSFER

The coming into effect of the Act respecting the Bibliothèque nationale du Québec and amending various legislation provisions (2001, c. 11) repealed the Act respecting the current Bibliothèque nationale and, as of March 4, 2002, transferred its rights, obligations and staff to the new Bibliothèque nationale. The current Bibliothèque's fiscal year therefore ended on March 3, 2002.

14. CASH AND CASH EQUIVALENTS

	2002	2001
Cash on hand	$1 413 848	$668 131
Short-term investment (rate of 1.6%)	1 259 000	
	$2 672 848	$668 131

BIBLIOTHÈQUE NATIONALE DU QUÉBEC

MANAGEMENT'S REPORT

The financial statements of the Bibliothèque nationale du Québec were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies, which are disclosed in Note 3 of the financial statements. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Bibliothèque recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors must oversee the manner in which management performs its financial reporting duties, and has approved the financial statements.

The Auditor General of Québec has audited the Bibliothèque's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the board of directors to discuss any matter related to the audit.

Jean-Guy Théoret
Acting President and Chief Executive Officer

Montréal, May 10, 2002

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Bibliothèque nationale du Québec as at March 3, 2002, the statement of revenue and expenditure, the statement of Fund balances and the cash flow statement for the period from April 1, 2001 to March 3, 2002. These financial statements are the responsibility of the Bibliothèque's management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting policies used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Bibliothèque's financial position as at March 3, 2002 and the results of its operations and cash flows for the period April 1, 2001 - March 3, 2002, in accordance with the accounting policies disclosed in Note 3. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, given the retroactive application of the changes in accounting policy related to vacation time disclosed in Note 4, these policies were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, May 10, 2002

BIBLIOTHÈQUE NATIONALE DU QUÉBEC
DESIGNATED AS GRANDE BIBLIOTHÈQUE NATIONALE DU QUÉBEC UNTIL MARCH 3, 2002
(Q.S., 2001, c. 11)

INCOME AND CHANGES IN NET ASSETS
for the year ended March 31, 2002

	2002				2001
	General Fund	Fixed Assets Fund	Document Processing Fund	Total	Total
REVENUE					
Gouvernement du Québec subsidies					
Operations	$6 076 500			$6 076 500	$3 584 325
Document processing			$761 687	761 687	
Interest on long-term debt		$71 875		71 875	
Amortization of deferred subsidies (Note 13)		54 608		54 608	
Donations to the heritage collection	2 397			2 397	
Sale of goods and services	10 544			10 544	
Interest on bank deposits	48 277			48 277	113 485
	6 137 718	126 483	761 687	7 025 888	3 697 810
EXPENDITURE					
Salaries and fringe benefits	3 071 674		486 859	3 558 533	1 433 991
Professional, administrative and other services	1 193 654		266 601	1 460 255	428 767
Rent	321 548			321 548	103 309
Transportation and communications	406 239			406 239	245 812
Furniture and supplies	250 614		7 876	258 490	104 341
Bank charges (Note 4)	1 468	74 849	351	76 668	
Depreciation of fixed assets		292 830		292 830	90 942
	5 245 197	367 679	761 687	6 374 563	2 407 162
Heritage collection (Note 5)					
Donations	2 397			2 397	
Purchases	48 274			48 274	
	5 295 868	367 679	761 687	6 425 234	2 407 162
EXCESS REVENUE OVER EXPENDITURE (EXPENDITURE OVER REVENUE)	841 850	(241 196)		600 654	1 290 648
OPENING BALANCE OF NET ASSETS	2 025 298	231 126		2 256 424	965 776
Contributed surplus from the Gouvernement du Québec (Note 6)	531 596	1 572 564		2 104 160	
Interfund contributions (Note 7)	(1 507 951)	1 507 951			
	1 048 943	3 311 641		4 360 584	965 776
CLOSING BALANCE OF NET ASSETS	$1 890 793	$3 070 445		$4 961 238	$2 256 424

BIBLIOTHÈQUE NATIONALE DU QUÉBEC
DESIGNATED AS GRANDE BIBLIOTHÈQUE NATIONALE DU QUÉBEC UNTIL MARCH 3, 2002

BALANCE SHEET
as at March 31, 2002

	2002				2001
	General Fund	Fixed Assets Fund	Document Processing Fund	Total	Total
ASSETS					
Current assets					
Cash on hand	$2 733 465	$293 092	$366 282	$3 392 839	$749 371
Short-term investment					1 793 034
Gouvernement du Québec subsidies receivable (Note 8)		1 202 210		1 202 210	
Accounts receivable	60 484	82 816		143 300	23 008
Interfund accounts receivable, interest-free, no terms of repayment	3 408 303		38 800		
Prepaid assets	89 133			89 133	27 191
	6 291 385	1 578 118	405 082	4 827 482	2 592 604
Deferred discount long-term debt		213 236		213 236	
Gouvernement du Québec subsidies receivable (Note 8)		13 546 535	761 687	14 308 222	
Fixed assets (Note 9)		35 803 640		35 803 640	10 727 697
Participation in a televisual production (Note 10)		50 000		50 000	
	$6 291 385	$51 191 529	$1 166 769	$55 202 580	$13 320 301
LIABILITIES					
Current liabilities					
Accounts payable and accruals	$2 242 443			$2 242 443	$359 061
Interest payable		$461 046		461 046	
Provision for vacation time	784 578	6 744	$26 495	817 817	105 584
Interfund accounts receivable, interest-free, no term of repayment		3 447 103			
Instalments of long-term debt (Note 11)		739 545		739 545	
	3 027 021	4 654 438	26 495	4 260 851	464 645
Provision for sick leave (Note 12)	1 373 571		2 698	1 376 269	17 493
Deferred Gouvernement du Québec subsidies (Note 13)		12 352 112		12 352 112	
Long-term debt (Note 11)		31 114 534	1 137 576	32 252 110	10 581 739
	4 400 592	48 121 084	1 166 769	50 241 342	11 063 877
NET ASSETS	1 890 793	3 070 445		4 961 238	2 256 424
	$6 291 385	$51 191 529	$1 166 769	$55 202 580	$13 320 301

COMMITMENTS (Note 15)
CONTINGENCY (Note 16)

On behalf of the Board of Directors,
Lise Bissonnette
Jacques Desautels

BIBLIOTHÈQUE NATIONALE DU QUÉBEC
DESIGNATED AS GRANDE BIBLIOTHÈQUE NATIONALE DU QUÉBEC UNTIL MARCH 3, 2002

CASH FLOWS
for the year ended March 31, 2002

	2002				2001
	General Fund	Fixed Assets Fund	Document Processing Fund	Total	Total
OPERATING ACTIVITIES					
Excess revenue over expenditure (expenditure over revenue)	$841 850	$(241 196)		$600 654	$1 290 648
Adjustments for:					
Depreciation of fixed assets		292 830		292 830	90 942
Amortization of deferred subsidies		(54 608)		(54 608)	
Amortization of discount on deferred long-term debt		2 974		2 974	
	841 850			841 850	1 381 590
Change in non-cash elements					
Accounts receivable	85 321	(74 912)		10 409	(22 008)
Subsidies receivable		(71 874)	$(761 687)	(833 561)	29 800
Prepaid expenses	48 333	2 973		51 306	(15 172)
Accounts payable and accruals	1 552 081	(65 336)		1 486 745	158 317
Interest paid		71 875		71 875	
Provision for vacation time	114 815	6 744	26 495	148 054	44 786
Provision for sick leave	41 410		2 698	44 108	11 957
	2 683 810	(130 530)	(732 494)	1 820 786	1 589 270
INVESTMENT ACTIVITIES					
Purchase of immovables		(3 621 008)		(3 621 008)	(8 634 338)
Construction in progress		(7 992 316)		(7 992 316)	(1 924 847)
Participation in a televisual production		(50 000)		(50 000)	
		(11 663 324)		(11 663 324)	(10 559 185)
FINANCING ACTIVITIES					
Contributed surplus from the Gouvernement du Québec (Note 6)	2 672 848			2 672 848	
Long-term debt issue		6 882 548	1 137 576	8 020 124	10 581 739
	2 672 848	6 882 548	1 137 576	10 692 972	10 581 739
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5 356 658	(4 911 306)	405 082	850 434	1 611 824
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2 170 076	372 329		2 542 405	930 581
Interfund contributions	(1 507 951)	1 507 951			
Change in interfund receivables	(3 285 318)	3 324 118	(38 800)		
CASH AND CASH EQUIVALENT, END OF YEAR (Note 14)	$2 733 465	$293 092	$366 282	$3 392 839	$2 542 405
INTEREST PAID				$1 819	

BIBLIOTHÈQUE NATIONALE DU QUÉBEC
DESIGNATED AS GRANDE BIBLIOTHÈQUE NATIONALE DU QUÉBEC UNTIL MARCH 3, 2002

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

The Bibliothèque nationale du Québec, designated as Grande Bibliothèque du Québec until March 3, 2002, was established by the Act respecting the Grande Bibliothèque du Québec (R.S.Q., c. G-3) amended by the Act respecting the Bibliothèque nationale du Québec and amending various legislative provisions (2001, c. 11), assented to on June 1, 2001. Its purpose is to offer democratic access to culture and knowledge and, in this regard, to act as a catalyst vis-à-vis Québec's documentary institutions. Its mandate also includes assembling, preserving and disseminating Québec's published-document heritage, any related document of cultural interest and documents relating to Québec published outside Québec.

Under the legislation creating it, the Bibliothèque nationale du Québec is an agent of the State and, as such, does not pay income tax.

2. FUND PURPOSE

The Operating Fund discloses the Bibliothèque nationale du Québec's current operations. The Fixed Assets Fund discloses the assets, liabilities and operations related to fixed assets. The Document Processing Fund discloses the operations related to preparing collections before opening the dissemination building.

3. ACCOUNTING POLICIES

The financial statements of the Bibliothèque nationale were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Subsidy recording

The Bibliothèque nationale uses the deferral method to record subsidies. Subsidies are entered on the books when received or receivable if the amount receivable can be reasonably estimated and is reasonably certain to be received. Unappropriated subsidies are posted to the Operating Fund as fiscal year proceeds. Appropriated subsidies are recorded as proceeds from the appropriate fund during the fiscal year in which the related expenditures were charged.

Collections

Library documents are intended for lending or regular consultation and belong to fixed assets.

Given their specific nature, heritage collection documents, described in Note 5, are not included under the definition of fixed assets and are not recorded in the balance sheet. Heritage documents purchased are charged to operations for the current fiscal year. The value of heritage documents acquired through donations is determined by experts and, when required, sanctioned by the Canadian Government's Canadian Cultural Property Export Review Board Commission. Heritage documents acquired by legal deposit and donations without receipts are not recorded in the financial statements due to the difficulty in determining their fair value.

Fixed assets

Fixed assets are recorded at cost. They are amortized over the duration of their service life according to the straight-line method as follows:

Building	40 years
Office furniture and equipment	10 years *
Data processing and telecommunication equipment	3 to 5 years *
Software and computer projects developed	5years
Leasehold improvements	Remainder of lease
Other equipment	5 years

BIBLIOTHÈQUE NATIONALE DU QUÉBEC
DESIGNATED AS GRANDE BIBLIOTHÈQUE NATIONALE DU QUÉBEC UNTIL MARCH 3, 2002

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

3. ACCOUNTING POLICIES (cont'd)

Fixed assets (cont'd)

Rolling stock	5 years
Storage equipment	20 years
Library documents	3 to 10 years

* The amortization period for assets acquired in the start-up phase does not exceed the time remaining between the date of acquisition and the date scheduled for opening the dissemination building to public since these assets will then cease to be used.

The cost of construction under way includes materials, direct labour, direct expenses, property tax and short-term financing fees during the work, minus revenues from temporary parking. The cost of library documents includes the purchase price and short-term financing costs related to their acquisition. Amortization of these fixed assets will begin when dissemination building is opened to the public.

Deferred discount on the long-term debt

The discount on the long-term debt is deferred and amortized according to the straight-line method over the initial term of the borrowing.

Pension plans

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the Bibliothèque nationale lacks sufficient information to apply the accounting procedure for defined-benefit plans.

4. FINANCIAL EXPENSES

	2002				2001
	General Fund	Fixed Assets Fund	Document Processing Fund	Total	Total
Interest and bank charges	$1 468			$1 468	
Interest on long-term debt		$71 875		71 875	
Interest on short-term borrowings			$351	351	
Amortization of the deferred discount on the long-term debt		2 974		2 974	
	$1 468	$74 849	$351	$76 668	

5. HERITAGE COLLECTION

The Bibliothèque nationale's heritage collection comprises the following categories of documents: general collections of books, journals and reviews, including all documents published in Québec received since 1968 by legal deposit and documents published in Québec since 1764; special collections, so designated to reflect their rarity or format, notably including rare and old books, sheet music and maps; private archives in the fields of literature and the fine arts.

These heritage documents are of cultural and historical value. They are assembled for permanent safekeeping. As a result, they are cared for so as to preserve them and special procedures govern their consultation by the public.

6. GOUVERNEMENT DU QUÉBEC CONTRIBUTION

Under the Act respecting the Bibliothèque nationale du Québec and amending various legislative provisions (2001, c. 11), on March 4, 2002, the new Bibliothèque nationale du Québec replace the Bibliothèque nationale du Québec established under chapter 42 of the 1998 statutes, acquiring the former's rights and assuming its obligations without consideration. This transaction was measured at book value. The net assets acquired break down as follows:

	General Fund	Fixed Assets Fund	Total
ASSETS			
Current assets			
Cash on hand	$1 413 848		$1 413 848
Short-term investment	1 259 000		1 259 000
Gouvernement du Québec subsidies receivable		$1 130 336	1 130 336
Accounts receivable	130 701		130 701
Interfund receivables		109 717	
Prepaid expenses	113 248		113 248
Long-term assets			
Deferred discount on the long-term debt		216 210	216 210
Gouvernement du Québec subsidies receivable		13 546 535	13 546 535
Fixed assets		13 755 449	13 755 449
	2 916 797	28 758 247	31 565 327
LIABILITIES			
Current liabilities			
Accounts payable and accruals	396 637		396 637
Interest payable		389 171	389 171
Provision for vacation time	564 179		564 179
Interfund receivables	109 717		
Instalments on long-term debt		739 545	739 545
Long-term liabilities			
Provision for sick leave	1 314 668		1 314 668
Deferred Gouvernement du Québec subsidies		12 406 720	12 406 720
Long-term debt		13 650 247	13 650 247
	2 385 201	27 185 683	29 461 167
	$531 596	$1 572 564	$2 104 160

The difference in the book value of the asset received and that of the liability assumed was posted to net assets under Gouvernement du Québec contribution.

The cash and short-term investment received increase cash and cash equivalents by $2 672 848. Excluding the latter, the other assets received total $28 892 479.

BIBLIOTHÈQUE NATIONALE DU QUÉBEC
DESIGNATED AS GRANDE BIBLIOTHÈQUE NATIONALE DU QUÉBEC UNTIL MARCH 3, 2002

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

7. INTERFUND CONTRIBUTIONS

Amounts totalling $1 507 951 (2001: $153 162) were transferred from the Operating Fund to the Fixed Assets Fund during the fiscal year in order to finance fixed asset acquisitions.

8. GOUVERNEMENT DU QUÉBEC SUBSIDIES RECEIVABLE

In the Fixed Assets Fund, Gouvernement du Québec subsidies receivable presented as short-term correspond to interest accrued on the long-term debt and capital repayments on the long-term debt in the coming fiscal year. Long-term subsidies represent total Gouvernement du Québec commitments related to fixed assets and their maintenance minus capital on the long-term debt already repaid and to be repaid in the coming fiscal year.

In the Document Processing Fund, the Gouvernement du Québec subsidy receivable, posted to long-term assets at the end of the fiscal year, corresponds to expenditures incurred during the fiscal year for document processing.

9. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net value	Net value
Land	$10 592 863		$10 592 863	$8 481 176
Building	11 705 427	$28 547	11 676 880	
Construction in progress	10 007 711		10 007 711	2 015 395
Office furniture and equipment	1 225 721	79 508	1 146 213	78 448
Data processing and telecommunication equipment	921 892	243 168	678 724	132 291
Software and computer projects developed	21 633	2 376	19 257	
Leasehold improvements	436 204	29 645	406 559	20 387
Other equipment	42 160	6 464	35 696	
Rolling stock	404	404		
Storage equipment	237 269	1 371	235 898	
Library documents	1 003 839		1 003 839	
	$36 195 123	$391 483	$35 803 640	$10 727 697

On January 19, 2000, the Grande Bibliothèque du Québec received authorization from the Gouvernement du Québec to acquire the Palais du Commerce site in order to build an immovable of 33 000 square feet. The total estimated cost of this project was $90 636 310 excluding short-term financing charges. Cumulated costs as at March 31, 2002 totalled $17 882 248 and break down as follows:

	2002			2001
	Cost	Short-term financing charges	Total costs	Total costs
Land	$9 349 714	$249 148	$9 598 862	$8 481 176
Construction in progress	7 992 763	252 853	8 245 616	1 909 039
Data processing and telecommunication equipment	37 770		37 770	
	$17 380 247	$502 001	$17 882 248	$10 390 215

9. FIXED ASSETS (cont'd)

On July 26, 2000, the Grande bibliothèque du Québec was authorized by the Gouvernement du Québec to build a 440-space parking lot. The total projected cost for the project was $8 000 000, excluding short-term financing charges. The elimination of 40 parking spaces adjusted the expected project cost to $7 359 500, excluding short-term financing costs. The cumulated costs at March 31, 2002 totalled $1 762 095 and break down as follows:

	2002			2001
	Cost	Short-term financing charges	Total costs	Total costs
Construction in progress	$1 761 747	$348	$1 762 095	$106 356

On September 12, 2001, the Grande bibliothèque du Québec received Gouvernement du Québec authorization to contract short-term borrowings to finance the library document acquisition, computer and telecommunication development costs needed for its opening, namely: $17 200 000 for documents and $12 700 000 for computer telecommunication developments. The cumulated costs as at March 31, 2002 totalled $1 007 599 and broke down as follows:

Library documents	$1 003 839
Software and computer projects developed	3 760

10. PARTICIPATION IN A TELEVISUAL PRODUCTION

The Bibliothèque nationale participates with Télé-Québec in a sponsorship project related to a televisual production on the Bibliothèque nationale. The amount related to this participation totals $150 000, $50 000 of which were paid during the fiscal year ended March 31, 2002. The cost of this participation will be amortized according to the number of broadcasts planned.

11. LONG-TERM DEBT

	2002			2001
	Fixed Assets Fund	Document Processing Fund	Total	Total
Borrowings on short-term notes from the Financing Fund of the Gouvernement du Québec:				
Interest rate of 4.41783%	$744 087		$744 087	
Interest rate of 4.66171%	8 500 000		8 500 000	
Interest rate of 2.36235%	600 000		600 000	
Interest rate of 2.6696%	2 000 000		2 000 000	
Interest rate of 3.18309%	1 284 905		1 284 905	
Interest rate of 3.58061%	500 000		500 000	
Interest rate of 3.51254%		$900 000	900 000	
Interest rate of 6.26542%				$700 000
Interest rate of 4.61673%				750 000
Suppliers and accruals	3 835 295	237 576	4 072 871	657 930
Property purchase price payable				8 473 809
Amounts carried forward	$17 464 287	$1 137 576	$18 601 863	$10 581 739

BIBLIOTHÈQUE NATIONALE DU QUÉBEC
DESIGNATED AS GRANDE BIBLIOTHÈQUE NATIONALE DU QUÉBEC UNTIL MARCH 3, 2002

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

11. LONG-TERM DEBT (cont'd)

	2002			2001
	Fixed Assets Fund	Document Processing Fund	Total	Total
Amounts brought forward	$17 464 287	$1 137 576	$18 601 863	$10 581 739
Borrowings on long-term notes from the Financing Fund of the Gouvernement du Québec:				
- 6.5% (effective rate of 6.812%) repayable in annual instalments of $685 916 until October 1, 2006 and one instalment of $10 288 740 on October 1, 2007	13 718 320		13 718 320	
- 6.5% (effective rate of 6.812%) repayable in annual instalments of $26 593 until October 1, 2006 and one instalment of $132 970 on October 1, 2007	265 934		265 934	
- 6.296% (effective rate of 6.431%) payable in annual instalments of $27 036 until June 28, 2009 and one instalment of $189 251 on June 28, 2010	405 538		405 538	
	31 854 079	1 137 576	32 991 655	10 581 739
Instalments due within one year	739 545		739 545	
	$31 114 534	$1 137 576	$32 252 110	$10 581 739

Capital payments to be made over the next five fiscal years total $739 545 annually. The capital and interest on the long-term borrowings are guaranteed by the Gouvernement du Québec, which committed to paying a subsidy for their repayment.

The short-term borrowings from the Financing Fund of the Gouvernement du Québec, the amounts payable and their accruals related to fixed assets projects and document processing under way are considered long-term debts, given that their repayment is expected to come from long-term financing.

The Bibliothèque nationale borrows the amounts needed for the construction and development of the building and implementation of equipment needed to fulfil its mission from the Financing Fund of the Gouvernement du Québec. The Gouvernement du Québec authorized the Bibliothèque nationale to finance this project through short-term borrowings until October 31, 2003. The maximum amount of these borrowings is $90 636 310 for construction of the building and $8 000 000 for construction of the parking lot, in addition to the interest payable on these borrowings.

The Bibliothèque nationale also borrows from the Financing Fund of the Gouvernement du Québec the amounts needed to process documents that the public may consult on-site or borrow. The Gouvernement du Québec authorized the Bibliothèque nationale to finance the document processing project by short-term borrowings until September 30, 2004. The maximum amount of these borrowings is $14 100 000 to which is added interest payable on these borrowings.

The Gouvernement du Québec is committed to paying the Bibliothèque nationale the amounts required to cover obligations should the Bibliothèque nationale be unable to meet its obligations related to one of its short-term borrowings.

12. FUTURE FRINGE BENEFITS

Pension plans

The staff members of the Bibliothèque nationale participate in the Government and Public Employees Retirement Plan (RREGOP), the Civil Service Superannuation Plan (CCSP), the Pension Plan for Senior Officials (PPSO) or the Pension Plan of Management Personnel (PPMP). These are interenterprise defined-benefit plans and include guaranteed payments upon retirement and death.

The Bibliothèque nationale's contributions charged to the year-end statement amount to $76 090 (2001: $10 872). The liability of the Bibliothèque nationale towards these Government plans is restricted to its contributions as an employer.

Provision for sick leave

	2002			2001
	General Fund	Document Processing Fund	Total	Total
Opening balance	$17 493		$17 493	$5 536
Transfer of activities of the former Bibliothèque nationale	1 314 668		1 314 668	
Charge for the year	71 722	$2 698	74 420	15 754
Benefits paid during the year	(30 312)		(30 312)	(3 797)
Closing balance	$1 373 571	$2 698	$1 376 269	$17 493

13. DEFERRED GOUVERNEMENT DU QUÉBEC SUBSIDIES

Fixed Assets Fund

	2002	2001
Transfer of activities of the former Bibliothèque nationale	$12 406 720	
Amortization for the fiscal year	(54 608)	
Closing balance	$12 352 112	

Subsidies assigned to the Document Processing Fund were recorded in their entirety as this Fund's proceeds to the extent that the expenditures entitling the Bibliothèque to these subsidies were incurred and charged to the fiscal year.

14. CASH AND CASH EQUIVALENTS

	2002	2001
Cash on hand	$3 392 839	$749 371
Short-term investment		1 793 034
	$3 392 839	$2 542 405

15. COMMITMENTS

La Bibliothèque nationale has made commitments under operating leases ending on different dates until January 20, 2005 for offices and equipment. The expenditure for the fiscal year ended March 31, 2002 for these contracts totalled $321 548. Minimum future payments are as follows:

2003	$648 447
2004	487 300
2005	7 337
	$1 143 084

The Bibliothèque nationale also entered into contracts for various services and expenditures related to fixed assets. At year-end, these commitments were as follows:

	2002
For operations	$731 741
For fixed assets	8 250 218
For document processing	4 308 397
	$13 290 356

The Bibliothèque nationale also committed to awarding teaching establishments amounts totalling $10 000 annually in order to support research and training in library science.

16. CONTINGENCY

The Bibliothèque nationale du Québec issued two irrevocable bank guarantee letters in favour of the City of Montréal totalling $965 000. These guarantees cover potential municipal repair work resulting from construction work. They are issued for one year but renewable until the work authorized by the City of Montréal is completed. They become null and void the 61st day after receiving an expiration notice from the City of Montréal. It is impossible to estimate the potential costs associated with these guarantees. Consequently, no provision has been entered on the books.

17. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements, the Bibliothèque nationale is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. Apart from the transaction described in Note 6, the Bibliothèque nationale did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

BIBLIOTHÈQUE NATIONALE DU QUÉBEC
DESIGNATED AS GRANDE BIBLIOTHÈQUE NATIONALE DU QUÉBEC UNTIL MARCH 3, 2002

MANAGEMENT'S REPORT

The financial statements of the Bibliothèque nationale du Québec were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Bibliothèque nationale recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors oversees the manner in which management performs its financial reporting duties, and approves the financial statements. It is assisted by the auditing committee, whose members are not management. This committee meets with management and the auditor, examines the financial statements and recommends their approval to the board of directors.

The Auditor General of Québec has audited the Bibliothèque nationale's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the auditing committee to discuss any matter related to the audit.

Lise Bissonnette
President and Chief Executive Officer

Monique Goyette
Director General, Administration and Internal Services

Montréal, June 21, 2002

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Bibliothèque nationale du Québec, designated as Grande Bibliothèque du Québec until March 3, 2002, as at March 31, 2002 and the statements of income, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Bibliothèque nationale management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Bibliothèque nationale as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, June 21, 2002

BUREAU D'ACCRÉDITATION DES PÊCHEURS ET DES AIDES-PÊCHEURS DU QUÉBEC
(R.S.Q., c. B-7.1)

REVENUE, EXPENDITURE AND DEFICIT
for the year ended March 31, 2002

	2002	2001
REVENUE		
Contributions	$188 050	$195 800
Gouvernement du Québec subsidy	14 852	
Amortization of deferred contributions	1 792	2 533
Other	2 259	9 419
	206 953	207 752
EXPENDITURE		
Service agreement – salaries and fringe benefits	129 737	105 057
Service agreement – administration	19 241	15 590
Office supplies	15 038	20 158
Telecommunications	1 255	2 253
Publication and translation of regulations	518	1 305
Travel and entertainment	23 350	23 301
Maintenance and repairs	5 780	3 282
Professional fees	3 762	
Insurance	949	
Miscellaneous	80	3 881
Bank charges	360	240
Depreciation of fixed assets	2 347	3 326
	202 417	178 393
EXCESS REVENUE OVER EXPENDITURE	4 536	29 359
DEFICIT, BEGINNING OF YEAR	(14 604)	(43 963)
DEFICIT, END OF YEAR	$(10 068)	$(14 604)

BUREAU D'ACCRÉDITATION DES PÊCHEURS ET DES AIDES-PÊCHEURS DU QUÉBEC

BALANCE SHEET
as at March 31, 2002

	2002	2001
ASSETS		
Current assets		
Cash on hand	$146 856	$187 195
Accounts receivable (Note 3)	24 279	5 596
	171 135	192 791
Fixed assets (Note 4)	5 719	8 066
	$176 854	$200 857
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$27 405	$62 812
Deferred revenue (Note 5)	155 094	146 434
	182 499	209 246
Deferred contributions related to fixed assets	4 423	6 215
	186 922	215 461
DEFICIT	(10 068)	(14 604)
	$176 854	$200 857

On behalf of the Board of Directors,
Jean-Claude Blanchette, Director
Oneil Cloutier, Director

BUREAU D'ACCRÉDITATION DES PÊCHEURS ET DES AIDES-PÊCHEURS DU QUÉBEC

CASH FLOW
for the year ended March 31, 2002

	2002	2001
OPERATING ACTIVITIES		
Excess revenue over expenditure	$4 536	$29 359
Adjustments for:		
Depreciation of fixed assets	2 347	3 326
Amortization of deferred contributions	(1 792)	(2 533)
	5 091	30 152
Change in non-cash items related to operations		
Increase in accounts receivable	(18 683)	(5 596)
(Decrease) increase in accounts payable and accrued liabilities	(35 407)	18 849
Increased in deferred revenue	8 660	96 251
	(45 430)	109 504
Cash flows (used for) provided by operating activities	(40 339)	139 656
INVESTMENT ACTIVITIES		
Cash flows used for investment activities:		
Acquisition of fixed assets		(2 644)
(DECREASE) INCREASE IN CASH ON HAND	(40 339)	137 012
CASH ON HAND, BEGINNING OF YEAR	187 195	50 183
CASH ON HAND, END OF YEAR	$146 856	$187 195

BUREAU D'ACCRÉDITATION DES PÊCHEURS ET DES AIDES-PÊCHEURS DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS
as at Mach 31, 2002

1. CONSTITUTION AND PURPOSE

The Bureau d'accréditation des pêcheurs et des aides-pêcheurs du Québec is a legal person that is an agent of the State. It was created on August 4, 1999 under the Act respecting the Bureau d'accréditation des pêcheurs et des aides-pêcheurs du Québec (R.S.Q., c. B-7.1). The Bureau's mission consists in implementing a system for recognizing the professional qualifications of fishermen and fishermen's assistants in tidal waters except for fishing for anadromous and catadromous species. Under section 984 of the Taxation Act, the Bureau is exempt from income tax.

2. ACCOUNTING POLICIES

The financial statements were prepared by Bureau management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Revenue recording

The Bureau applies the deferral method for recording contributions. According to this method, contributions charged to future fiscal years are deferred and recorded as revenue in the fiscal year in which the related expenses are incurred. Unallocated contributions are recorded as revenue when received or receivable, if the amount receivable can reasonably be estimated and it is reasonably certain that it will be cashed in.

Fixed assets

Fixed assets are recorded at the original cost and amortized based on their service life according to the diminishing balance method at the following annual rates:

Office furniture and equipment	20%
Computer equipment	30%

3. ACCOUNTS RECEIVABLE

	2002	2001
Federal and provincial taxes	$23 629	$5 513
Other	650	443
	$24 279	$5 956

4. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net	Net
Office furniture and equipment	$1 603	$1 022	$581	$726
Computer equipment	24 704	19 566	5 138	7 340
	$26 307	$20 588	$5 719	$8 066

BUREAU D'ACCRÉDITATION DES PÊCHEURS ET DES AIDES-PÊCHEURS DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS (cont'd)
as at March 31, 2002

5. DEFERRED REVENUE

	2002	2001
Registration fees paid by fishermen and fishermen's assistants [a]	$147 059	$146 434
Gouvernement du Québec subsidy	8 035	
	$155 094	$146 434

[a] Deferred revenue represents the registration fees paid by fishermen and fishermen's assistants for fiscal 2002-2003. These contributions are designed to cover operating expenses for the coming fiscal year.

6. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements and recorded at exchange value, the Bureau is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Bureau did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Bureau d'accréditation des pêcheurs et des aides-pêcheurs du Québec as at March 31, 2002, the statement of revenue and expenditure and deficit and the cash flow statement for the year then ended. These financial statements are the responsibility of Bureau management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

With the exception of the mention in the following paragraph, my audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

The Bureau obtains most of its proceeds in the form of contributions from Québec fishermen and fishermen's assistants for which it is not possible to verify the comprehensiveness satisfactorily. Consequently, my audit is limited to the amounts recorded in the Bureau's accounts and I was not able to determine whether certain adjustments should have been made to contribution income in the short-term assets and the deficit.

In my opinion, with the exception of the effect of the adjustment I might have deemed necessary had I been able to check the comprehensiveness of the contributions mentioned in the previous paragraph, these financial statements present fairly, in all material respects, the Bureau's financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, May 16, 2002

BUREAU DES SERVICES FINANCIERS
(R.S.Q., c. D-9.2)

STATEMENT OF REVENUES AND EXPENSES
year ended December 31, 2001

	2001	2000
REVENUES		
Contributions	$6 503 802	$5 528 119
Study of files	898 775	741 331
Sales of manuals and forms	688 237	465 986
Examinations	450 602	497 729
Other services	36 859	61 423
Fees of the Chambers and Regroupement des cabinets de courtage du Québec	28 505	27 422
Dues – Centre collégial de formation à distance	24 645	44 760
Analysis of distribution guides	19 501	26 120
Interest	101 910	143 698
	8 752 836	7 536 588
EXPENSES		
Salaries	4 967 500	3 822 695
Fringe benefits	770 305	589 015
Directors' fees	51 556	83 798
Committee members' fees	25 450	46 900
Training expenses	31 272	18 471
Rental expenses	489 087	366 783
External professional services	409 125	372 270
Cost of manuals and forms sold	252 849	148 407
Mail and courier services	228 493	210 280
Telecommunications	198 074	213 049
Office supplies and stationery	179 840	144 538
Travel expenses	170 617	205 839
Publication and communications	117 175	233 134
Examination of candidates	90 542	136 207
Taxes and permits	80 670	62 422
Translation	51 819	26 529
Maintenance and repairs	48 989	34 452
Insurance	41 372	40 230
Information and telephone systems	38 558	16 596
Advertising	27 564	35 243
Rental of equipment	15 148	18 597
Doubtful accounts	11 510	9 611
Fees relative to illegal practice	4 449	21 628
Fees relative to the Act	(18 000)	(483 321)
Bank charges	55 936	57 824
Amortization of capital assets	767 631	426 033
Amortization of start-up costs	624 482	624 482
Loss on the disposal of assets	508	440
	9 732 521	7 482 152
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	$(979 685)	$54 436

The accompanying notes are an integral part of the financial statements.

BUREAU DES SERVICES FINANCIERS

STATEMENT OF CHANGES IN NET ASSETS
year ended December 31, 2001

	Invested in Capital assets	Unrestricted	2001	2000
Balance at beginning of year	$1 728 897	$584 234	$2 313 131	$2 258 695
Excess (deficiency) of revenues over expenses	(768 139)	(211 546)	(979 685)	54 436
Acquisition of capital assets	704 529	(704 529)		
Balance at end of year	$1 665 287	$(331 841)	$1 333 446	$2 313 131

CASH FLOW STATEMENT
year ended December 31, 2001

	2001	2000
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	$(979 685)	$54 436
Non-cash items		
Amortization of capital assets	767 631	426 033
Amortization of start-up costs	624 482	624 482
Loss on the disposal of capital assets	508	440
	412 936	1 105 391
Changes in non-cash working capital items (Note 4)	440 980	1 648 348
Net cash flow	853 916	2 753 739
INVESTING ACTIVITIES		
Capital assets	(704 529)	(1 420 525)
Disposal of capital assets		3 000
Start-up costs		332 000
Net cash flow	(704 529)	(1 085 525)
NET INCREASE IN CASH AND SHORT-TERM INVESTMENTS	149 387	1 668 214
CASH AND SHORT-TERM INVESTMENTS AT BEGINNING OF YEAR	3 146 289	1 478 075
CASH AND SHORT-TERM INVESTMENTS AT END OF YEAR	$3 295 676	$3 146 289

The accompanying notes are an integral part of the financial statements.

BUREAU DES SERVICES FINANCIERS

BALANCE SHEET
December 31, 2001

	2001	2000
ASSETS		
Current assets		
Cash	$25 676	$51 289
Short-term investments (Note 5)	3 270 000	3 095 000
Receivables (Note 6)	157 466	272 656
Inventory	101 519	119 150
Prepaid expenses	228 908	151 879
	3 783 569	3 689 974
Capital assets (Note 7)	1 665 287	1 728 897
Start-up costs (Note 8)	1 717 324	2 341 806
	$7 166 180	$7 760 677
LIABILITIES		
Current liabilities		
Payables (Note 9)	$1 675 610	$1 892 042
Deferred income	3 084 605	2 657 778
Prepaid income	1 072 519	897 726
	5 832 734	5 447 546
Net assets		
Invested in capital assets	1 665 287	1 728 897
Unrestricted	(331 841)	584 234
	1 333 446	2 313 131
	$7 166 180	$7 760 677

On behalf of the Board,
Louise Champoux-Paillé, Director
Charles Pelletier, Director

The accompanying notes are an integral part of the financial statements.

BUREAU DES SERVICES FINANCIERS

NOTES TO FINANCIAL STATEMENTS
as at December 31, 2001

1. STATUTES AND NATURE OF THE ACTIVITIES

The mission of the Bureau des services financiers, which was created under the Act respecting the distribution of financial products and services adopted on June 19, 1998, is to ensure the protection of the public as regards the distribution of financial products and services in the fields of activity under its authority, namely: insurance of persons, group insurance of persons, damage insurance, claims adjustment, financial planning, group savings plan brokerage, investment contract brokerage and scholarship plans brokerage.

In accordance with the Act, the Bureau is a legal person. It is not a public body, a government body or agency, or a government corporation within the meaning of the Financial Administration Act, the Act respecting the Ministère des Affaires internationales, de l'Immigration et des Communautés culturelles, the Act respecting the Ministère du Conseil exécutif or the Auditor General Act.

When certain provisions of the Act respecting the distribution of financial products and services came into force, the property, rights and obligations of the Conseil des assurances de personnes and the Conseil des assurances de dommages were transferred to the Bureau des services financiers.

2. NON-CONSOLIDATED CONTROLLED ORGANIZATION AND RELATED PARTY TRANSACTIONS

The Bureau des services financiers exercises a control over the Fonds d'indemnisation des services financiers, appointing the members of this Fund's Board of Directors under the Act respecting the distribution of financial products and services. It also determines the Fonds d'indemnisation des services financiers' by-laws and has set the rules governing claim administration and eligibility. The mission and responsibility of the Fonds d'indemnisation des services financiers are to administer funds deposited with the Fund and to compensate individuals who have been the victims of fraud, fraudulent tactics or embezzlement for which a firm, independent representative or an independent company may be held liable in connection with its activities. The Fonds d'indemnisation des services financiers has responsibility for deciding the eligibility of claims. It also determines its operating expenses.

The financial statement of the Fonds d'indemnisation des services financiers are available on request. The condensed financial statement of the Fonds d'indemnisation des services financiers as at December 31, 2001 and 2000 and for the years then ended are as follows:

	2001	2000
Financial position		
Total assets	$6 194 422	$4 161 299
Total liabilities	$3 376 851	$2 867 511
Fund balance	2 817 571	1 293 788
	$6 194 422	$4 161 299
Results of operations		
Total revenues	$2 551 412	$3 076 183
Total expenses	1 027 629	2 381 561
Excess of revenues over expenses	$1 523 783	$694 622

The Bureau des services financiers makes available to the Fonds d'indemnisation des services financiers human resources, capital assets and rental space. During the year, the Bureau des services financiers charged $220 653 ($160 991 in 2000) for the use of these resources. These transactions were concluded in the normal course of the organizations' operations and were measured at the exchange amount, i.e. the value determined and accepted by the parties. As at December 31, 2001, the Fonds d'indemnisation des services financiers owed $23 699 ($89 568 in 2000) for such services.

NOTES TO FINANCIAL STATEMENTS (cont'd)
as at December 31, 2001

2. NON-CONSOLIDATED CONTROLLED ORGANIZATION AND RELATED PARTY TRANSACTIONS (cont'd)

Moreover, the Bureau des services financiers collects dues on behalf of the Fonds d'indemnisation des services financiers. Contributors to the Fonds d'indemnisation des services financiers are firms, independent partnerships and independent representatives registered with the Bureau des services financiers. As at December 31, 2001, the balance of dues collected by the Bureau des services financiers to be remitted to the Fonds d'indemnisation des services financiers was $115 550 ($288 149 in 2000).

3. ACCOUNTING POLICIES

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. Theses estimates are based on management's best knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from those estimates.

Inventory valuation

The inventory, which consists mainly of training manuals, is valued at the lower of cost or replacement cost, cost being based on the average cost method.

Short-term investments

Short-term investments are evaluated at cost.

Start-up costs

Start-up costs were incurred for the establishment of the Bureau des services financiers. These expenses represent mainly the remuneration and professional fees for the purpose of hiring human resources, and expenses relating to the holding of the first meetings of the board. The fees are amortized according to the straight-line method over a five-year period ending October 1, 2004.

Amortization

Capital assets are accounted for at cost and amortized over their estimated useful lives using the straight-line method over the following periods:

Office furniture and equipment	5 years
Computers, software, systems development and training material	3 years
Leasehold improvements	Remaining term of the leases

Income recognition

Income from contributions

Income from contributions is accounted for according to the accrual basis of accounting. The amounts invoiced for a period exceeding the end of the year are accounted for as deferred income.

Income other than contributions

Income other than contributions is accounted for when the supply is delivered or the service provided.

Prepaid income

Prepaid income represents the amounts received in respect of income belonging to the year starting January 1, 2002.

NOTES TO FINANCIAL STATEMENTS (cont'd)
as at December 31, 2001

4. INFORMATION INCLUDED IN THE CASH FLOW STATEMENT

The changes in non-cash working capital items are detailed as follows:

	2001	2000
Receivables	$115 190	$2 325 844
Inventory	17 631	15 400
Prepaid expenses	(77 029)	(91 301)
Payables	(216 432)	(522 540)
Deferred income	426 827	(976 781)
Income collected in advance	174 793	897 726
	$440 980	$1 648 348

5. SHORT-TERM INVESTMENT

Short-term investments are comprised of term deposits bearing interest at rates varying between 2.15% and 4.0%, and expire on different dates up to September 2002.

6. RECEIVABLES

	2001	2000
Contributions	$109 384	$136 412
Other	48 082	136 244
	$157 466	$272 656

7. FIXED ASSETS

	2001		
	Cost	Accumulated amortization	Unamortized cost
Office furniture and equipment	$465 121	$161 786	$303 335
Data processing equipment and software	845 103	438 289	406 814
Systems development	1 096 195	503 264	592 931
Training material	306 902	80 414	226 488
Leasehold improvements	213 860	78 141	135 719
	$2 927 181	$1 261 894	$1 665 287

	2000		
	Cost	Accumulated amortization	Unamortized cost
Office furniture and equipment	$360 573	$76 145	$284 428
Data processing equipment and software	686 456	187 490	498 966
Systems development	803 110	191 061	612 049
Training material	182 434	9 120	173 314
Leasehold improvements	191 043	30 903	160 140
	$2 223 616	$494 719	$1 728 897

NOTES TO FINANCIAL STATEMENTS (cont'd)
as at December 31, 2001

8. START-UP COSTS

	2001		
	Cost	Accumulated amortization	Unamortized cost
Start-up costs	$3 139 883	$1 422 559	$1 717 324

	2000		
	Cost	Accumulated amortization	Unamortized cost
Start-up costs	$3 139 883	$798 077	$2 341 806

9. PAYABLES

	2001	2000
Accounts payable and accrued liabilities	$1 169 738	$1 323 977
Fonds d'indemnisation des services financiers	91 851	198 581
Chambre de la sécurité financière	33 564	64 666
Chambre de l'assurance de dommages	380 457	304 818
	$1 675 610	$1 892 042

10. ADVANCE FROM THE MINISTÈRE DES FINANCES DU QUÉBEC AND BANK LOAN

The temporary loan authorized under order 105-2001, for an authorized amount of $3 000 000 bears interest at the one-month banker's acceptance interest rate plus 0.3% and is renegociable in December 2002. As at December 31, 2001, the balance of this advance is $0.

11. COMMITMENTS

The Organization undertook, under the long-term leases expiring on different dates up to 2006, to pay an amount of $2 630 885 for the rental of its offices located in Québec City and Montréal, and for the rental of office equipment. Minimum lease payments for the next five years are $625 693 in 2002, $662 396 in 2003, $558 287 in 2004, $392 518 in 2005, and $391 991 in 2006.

Moreover, under a group registered retirement savings plan, the Bureau des services financiers undertook to pay an amount equal to the employee contributions that meet the terms for employer contributions to a maximum of 5% of the employee's annual salary. The contribution expense for the year is $154 985 ($113 653 in 2000).

12. EMPLOYEES' FUTURE BENEFITS

Pursuant to employment contracts concluded with its employees, the Bureau des services financiers pays severance compensation. The obligations, assets, charges as well as the basic information relating to the benefits offered to the employees are as follows:

BUREAU DES SERVICES FINANCIERS

NOTES TO FINANCIAL STATEMENTS (cont'd)
as at December 31, 2001

12. EMPLOYEES' FUTURE BENEFITS (cont'd)

Accrued benefit liability

	2001	2000
Balance, beginning of year	$26 000	
Current service cost	17 000	$26 000
Balance, end of year	$43 000	$26 000

The significant actuarial assumptions used by the Organization to evaluate its severance compensation obligations are the following.:

	2001	2000
Discount rate	4%	5%
Rate of salary escalation	3.8%	2.5%

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

AUDITORS' REPORT

To the Directors of Bureau des services financiers

We have audited the balance sheet of Bureau des services financiers as at December 31, 2001 and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Bureau des services financiers's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The accounts for the year ended December 31, 2000, shown for comparative purposes, were reported on by other auditors.

Raymond Chabot Grant Thornton
Chartered Accountants

Lévis, February 11, 2002

BUREAU DES SERVICES FINANCIERS

FONDS D'INDEMNISATION DES SERVICES FINANCIERS

REVENUES AND EXPENSES
for the year ended December 31, 2001

	Fonds d'indemnisation des services financiers	Fonds d'indemnisation des assurances de personnes	Fonds d'indemnisation des assurances de dommages	Fonds d'indemnisation des planificateurs financiers	2001 Total	2000 Total
REVENUES						
Contributions	$2 221 964	$35 838			$2 257 802	$2 931 804
Interest	162 332	420	$51 394	$1 325	215 471	144 379
Subrogation revenue		78 139			78 139	
	2 384 296	114 397	51 394	1 325	2 551 412	3 076 183
EXPENSES						
Compensation	983 550	(506 521)	41 437		518 466	2 110 763
Directors' Fees	39 105				39 105	32 925
Travel Expenses	17 483				17 483	13 097
Telecommunications	1 897				1 897	
Management Fees	212 146				212 146	151 830
Rental Expenses	8 507				8 507	9 161
Professional Fees	75 753	19 553			95 306	46 322
Training	2 960				2 960	38
Rental of Rooms	897				897	132
Advertising						124
Insurance	103 468		19 591		123 059	10 378
Office Supplies and Courier	2 996	306			3 302	5 803
Amortization of Capital Assets	1 202				1 202	
Interest and Bank Charges	211	3 088			3 299	988
	1 450 175	(483 574)	61 028		1 027 629	2 381 561
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	$934 121	$597 971	$(9 634)	$1 325	$1 523 783	$694 622

The accompanying notes are an integral part of the financial statements.

BUREAU DES SERVICES FINANCIERS

FONDS D'INDEMNISATION DES SERVICES FINANCIERS

CHANGES IN FUND BALANCES
for the fiscal year ended December 31, 2001

	Invested in Capital Assets	Fonds d'indemnisation des services financiers	Fonds d'indemnisation des assurances de personnes	Fonds d'indemnisation des assurances de dommages	Fonds d'indemnisation des planificateurs financiers	2001 Total	2000 Total
BALANCE AT BEGINNING OF YEAR		$1 454 947	$(1 207 746)	$1 015 842	$30 745	$1 293 788	$599 166
Excess (Deficiency) of Revenues over Expenses	$(1 202)	935 323	597 971	(9 634)	1 325	1 523 783	694 622
Acquisition of Capital Assets	6 678	(6 678)					
BALANCE AT END OF YEAR	$5 476	$2 383 592	$(609 775)	$1 006 208	$32 070	$2 817 571	$1 293 788

The accompanying notes are an integral part of the financial statements.

BUREAU DES SERVICES FINANCIERS

FONDS D'INDEMNISATION DES SERVICES FINANCIERS

BALANCE SHEET
as at December 31, 2001

	Fonds d'indemnisation des services financiers	Fonds d'indemnisation des assurances de personnes	Fonds d'indemnisation des assurances de dommages	Fonds d'indemnisation des planificateurs financiers	2001 Total	2000 Total
ASSETS						
Current assets						
Cash	$6 897		$273		$7 170	$173 344
Term Deposits, 1.90% to 5.83%, maturing on various dates to December 2002	4 207 789	$39 000	1 105 387	$32 070	5 384 246	3 648 259
Accounts Receivable (Note 3)	100 273	92 581	14 558		207 412	234 696
Prepaid Expenses	66 247		5 206		71 453	105 000
	4 381 206	131 581	1 125 424	32 070	5 670 281	4 161 299
Term Deposit, 4.09%, maturing in November 2004	518 665				518 665	
Capital Assets (Note 4)	5 476				5 476	
	$4 905 347	$131 581	$1 125 424	$32 070	$6 194 422	$4 161 299
LIABILITIES						
Current Liabilities						
Bank Overdraft		$117 219			$117 219	$20 673
Bank Loan (Note 5)		150 000			150 000	
Accounts Payable (Note 6)	$42 951	13 827			56 778	43 445
Compensation Payable (Note 7)	2 473 328	460 310	$119 216		3 052 854	2 803 393
	2 516 279	741 356	119 216		3 376 851	2 867 511
FUND BALANCES						
Invested in Capital Assets	5 476				5 476	
Unrestricted	2 383 592	(609 775)	1 006 208	$32 070	2 812 095	1 293 788
	$4 905 347	$131 581	$1 125 424	$32 070	$6 194 422	$4 161 299

On behalf of the Board,
Gilbert Lalonde, Director
Lise Tremblay, Director

The accompanying notes are an integral part of the financial statements.

BUREAU DES SERVICES FINANCIERS

FONDS D'INDEMNISATION DES SERVICES FINANCIERS

NOTES TO FINANCIAL STATEMENTS
December 31, 2001

1. GOVERNING STATUTES AND NATURE OF OPERATIONS

The Fonds d'indemnisation des services financiers is a fund incorporated under the Act respecting the distribution of financial products and services, sanctioned on June 20, 1998 by the Québec government. This fund took over corresponding funds created under the Act respecting market intermediaries as at October 1, 1999.

The Fonds d'indemnisation des services financiers has three distinct funds comprised of amounts in the Fonds d'indemnisation des assurances de dommages, Fonds d'indemnisation des assurances de personnes and Fonds d'indemnisation des planificateurs financiers.

The purpose of the Fonds d'indemnisation des services financiers is to administer amounts deposited with the Fund. Its mission is also to compensate individuals who have been the victims of fraud, fraudulent tactics or embezzlement for which a firm, independent representative or an independent company may be held liable in connection with its activities. It also has responsibility for taking over claims on file with the former funds and to decide whether claims resulting from acts committed between September 1, 1991 and September 30, 1999 are eligible for payment in accordance with the regulations under the Act respecting market intermediaries.

2. ACCOUNTING POLICIES

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from those estimates.

Income recognition

Income from contributions is accounted for as soon as the Bureau des services financiers collects the amounts.

Amortization

Capital assets are accounted for at cost and amortized over their estimated useful life using the straight line method over the following periods:

Computers and software	3 years
Office furniture and equipment	5 years

3. ACCOUNTS RECEIVABLE

	Fonds d'indemnisation des services financiers	Fonds d'indemnisation des assurances de personnes	Fonds d'indemnisation des assurances de dommages	2001 Total	2000 Total
Accrued Interest	$24 592	$57	$14 558	$39 207	$21 113
Bureau des services financiers	75 681	16 170		91 851	198 581
Notes receivables from Other Funds					15 002
Other		76 354		76 354	
	$100 273	$92 581	$14 558	$207 412	$234 696

BUREAU DES SERVICES FINANCIERS

FONDS D'INDEMNISATION DES SERVICES FINANCIERS

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001

4. CAPITAL ASSETS

	2001		
	Cost	Accumulated amortization	Net
Computers and Software	$2 007	$700	$1 307
Office Furniture and Equipment	4 671	502	4 169
	$6 678	$1 202	$5 476

5. BANK LOANS

The bank loans, for an authorized amount of $2 500 000, bear interest at the prime rate less 0.8% and the prime rate plus 0.3% and are renegotiable annually.

6. ACCOUNTS PAYABLE

	Fonds d'indemnisation des services financiers	Fonds d'indemnisation des assurances de personnes	2001 Total	2000 Total
Trade accounts	$42 951	$13 827	$56 778	$28 443
Notes payable to other funds				15 002
	$42 951	$13 827	$56 778	$43 445

7. COMPENSATION

Determining the amount of compensation payable under claims for situations that have been reported and those that have not, determined by the Organization's actuaries, is based on known facts and an interpretation of the circumstances taking into account experience with similar situations, historical claim settlement trends, settled claims, the number of unsettled claims and the frequency of events. The amounts in question are discounted to take account of the value of money over time.

The compensation expense on the statement of revenues and expenses is composed primarily of changes in the compensation allowance for the year compared to the previous year and compensation payments during the year.

The following table summarized changes in compensation payable:

	Fonds d'indemnisation des services financiers	Fonds d'indemnisation des assurances de personnes	Fonds d'indemnisation des assurances de dommages	2001 Total	2000 Total
Balance at beginning of year	$1 514 778	$1 210 836	$77 779	$2 803 393	$1 131 415
Allowance for the year	983 550	(506 521)	41 437	518 466	2 110 763
Claims settled during the year	(25 000)	(244 005)		(269 005)	(438 785)
Balance at end of year	$2 473 328	$460 310	$119 216	$3 052 854	$2 803 393

BUREAU DES SERVICES FINANCIERS

FONDS D'INDEMNISATION DES SERVICES FINANCIERS

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001

8. CASH FLOWS STATEMENT

No cash flows statement has been presented since principal operating, investing and financing activities may be readily apparent from the other financial statements and presenting such a statement would provide no additional information.

9. RELATED PARTY TRANSACTIONS

The Bureau des services financiers exercises a control over the Fonds d'indemnisation des services financiers, appointing the members of this Fund's Board of Directors under the Act respecting the distribution of financial products and services. it also determines the Fonds d'indemnisation des services financiers' by-laws and has set the rules governing claim administration and eligibility. The Fonds d'indemnisation des services financiers has responsibility for administering the funds deposited and deciding the eligibility of claims. It also determines its operating expenses.

The Bureau des services financiers makes available to the Fonds d'indemnisation des services financiers human resources, capital assets and rental space. During the year, the Bureau des services financiers charged $220 653 ($160 991 in 2000) for the use of these resources. These transactions were concluded in the normal course of the organizations' operations and were measured at the exchange amount, i.e. the value determined and accepted by the parties. As at December 31, 2001, the Fonds d'indemnisation des services financiers owed $23 699 ($89 568 in 2000) for such services.

Moreover, the Bureau des services financiers collects dues on behalf of the Fonds d'indemnisation des services financiers. Contributors to the Fonds d'indemnisation des services financiers are firms, independent partnerships, and independent representatives registered with the Bureau des services financiers. As at December 31, 2001, the balance of dues collected by the Bureau des services financiers to be remitted to the Fonds d'indemnisation des services financiers was $115 550 ($288 149 in 2000).

10. CONTINGENCY

A lawsuit in the amount of approximately $220 000 has been filed against the Organization regarding decisions to refuse compensation claims in the course of its operations. The Directors are of the opinion that this lawsuit is without merit and, accordingly, no provision has been recorded in this respect.

BUREAU DES SERVICES FINANCIERS

FONDS D'INDEMNISATION DES SERVICES FINANCIERS

AUDITORS' REPORT

To the Directors of Fonds d'indemnisation des services financiers

We have audited the balance sheet of Fonds d'indemnisation des services financiers as at December 31, 2001 and the statements of revenues and expenses and changes in fund balances for the year then ended. These financial statements are the responsibility of the Fonds d'indemnisation des services financiers's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fonds d'indemnisation des services financiers as at December 31, 2001 and the results of its operations and its cash flows for the year ended in accordance with Canadian generally accepted accounting principles.

The accounts for the year ended December 31, 2000, shown for comparative purposes, were reported on by other auditors.

Raymond Chabot Grant Thornton
Chartered Accountants

Lévis, February 11, 2002

CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC
(R.S.Q., c. C-2)

COMBINED STATEMENT OF INCOME AND CHANGES IN NET ASSETS
for the year ended December 31, 2001
(in millions of dollars)

	2001	2000
Net investment income (Note 5a)	3 599	3 782
Less:		
Administrative expenses (Note 7)	56	48
Net investment income	3 543	3 734
Gains (losses) on sale of investments (Note 5b)	(1 310)	7 012
Total realized income	2 233	10 746
Unrealized increase (decrease) in the value of investments and liabilities related to investments (Note 5c)	(6 897)	(5 803)
Total investment operations	(4 664)	4 943
Excess depositors' deposits over withdrawals	1 674	1 777
(DECREASE) INCREASE IN COMBINED NET ASSETS	(2 990)	6 720
COMBINED NET ASSETS, BEGINNING OF YEAR	88 263	81 543
COMBINED NET ASSETS, END OF YEAR	85 273	88 263

The appended notes are an integral part of the financial statements.

CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

COMBINED STATEMENT OF NET ASSETS
as at December 31, 2001
(in millions of dollars)

	2001	2000
ASSETS		
Investments at fair value (Note 3a)	116 508	109 693
Advances to depositors	789	910
Investment income, accrued and receivable	862	882
Transactions being settled	2 662	1 299
Other assets	987	649
	121 808	113 433
LIABILITIES		
Liabilities related to investments (Note 3b)	31 702	21 226
Transactions being settled	3 346	2 534
Other liabilities	885	631
Non-controlling interests (Note 3c)	602	779
	36 535	25 170
DEPOSITORS' HOLDINGS (Note 4)	85 273	88 263

The appended notes are an integral part of the financial statements

On behalf of the Board of Directors,
Jean-Claude Scraire
Jean-Claude Bachand

NOTES TO FINANCIAL STATEMENTS
December 31, 2001
(in millions of dollars)

1. CONSTITUTION AND OPERATIONS

The Caisse de dépôt et placement du Québec is a legal person within the meaning of the Civil Code, created by a special act (R.S.Q., chapter C-2). It receives funds, the deposit of which is provided for under a particular act.

General Fund (consolidated statements)

The General Fund is comprised of diversified investments and is a pooled fund for demand, term and participation deposits. The General Fund's net equity and net income as at December 31 were shared among participation deposit holders as follows:

	2001		2000	
	Number of units	%	Number of units	%
Régie des rentes du Québec				
Fonds du Régime de rentes du Québec	20 402 243	97.6	19 053 166	97.9
Régime de rentes de survivants *	391 730	1.9	385 551	2.0
La Financière agricole du Québec **	110 581	0.5	21 984	0.1
Office de la protection du consommateur				
Fonds des cautionnements des agents de voyages				
Cautionnements collectifs				
Détaillants	4 690		4 423	
Grossistes	570		570	
Cautionnements individuels	1 117		1 079	
Magazine Protégez-vous	2 100		2 100	
Régie des marchés agricoles et alimentaires du Québec				
Fonds d'assurance-garantie	5 190		4 723	
Fédération des producteurs de bovins du Québec	2 375		2 675	
	20 920 596	100.0	19 476 271	100.0

* For the administration of survivor benefits for the management personnel of the government and public sector, under the responsibility of the secretariat of the Conseil du Trésor.
** Previously the Régie des assurances agricoles du Québec.

Individual Funds

The Individual Funds are comprised of diversified investments and each have only one depositor, which exclusively makes participation deposits therein. The various Individual Funds are:

Fund 301

For the Government and Public Employees Retirement Plan administered by the Commission administrative des régimes de retraite et d'assurances.

Fund 302

For the future Pension Plan for Management administered by the Commission administrative des régimes de retraite et d'assurances.

Fund 303

For the Individual Plans administered by the Commission administrative des régimes de retraite et d'assurances.

1. CONSTITUTION AND OPERATIONS (cont'd)

Individual Funds (cont'd)

Fund 305

For the Pension Plan for Elected Municipal Officers administered by the Commission administrative des régimes de retraite et d'assurances.

Fund 306

For the Régime complémentaire de rentes des techniciens ambulanciers oeuvrant au Québec.

Fund 307

For the Société de l'assurance automobile du Québec.

Fund 311

For the Supplemental Pension Plan for Employees of the Québec Construction Industry - general account - administered by the Commission de la construction du Québec.

Fund 312

For the Supplemental Pension Plan for Employees of the Québec Construction Industry - retirees account - administered by the Commission de la construction du Québec.

Fund 313

For the Supplemental Pension Plan for Employees of the Québec Construction Industry - supplementary account - administered by the Commission de la construction du Québec.

Fund 314

For the Régie de l'assurance-dépôts du Québec.

Fund 315

For the Fonds d'assurance-prêts agricoles et forestiers administered by la Financière agricole du Québec (previously administered by the Société de financement agricole du Québec).

Fund 316

For the Fonds d'amortissement du régime de retraite – RREGOP administered by the ministère des Finances du Québec.

Fund 317

For the Fonds d'amortissement of the future Pension Plan for Management – PPM administered by the ministère des Finances du Québec.

Fund 318

For the Fonds d'amortissement des autres régimes de retraite administered by the ministère des Finances du Québec.

Fund 330

For the Commission de la santé et de la sécurité du travail.

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in millions of dollars)

1. CONSTITUTION AND OPERATIONS (cont'd)

Specialized portfolios

The specialized portfolios are pooled funds for participation deposits of the various Funds. The specialized portfolios are the following:

- Bonds
- Québec International Bonds
- Canadian equities
- Diversified, strategic and tactical investments (consolidated statements) (created November 1, 2000)
- U.S. equities - hedged
- U.S. equities – unhedged (created April 1, 2000)
- Emerging markets equities
- Foreign equities – hedged
- Foreign equities – unhedged (created April 1, 2000)
- Mortgages (consolidated statements)
- Real estate investments (consolidated statements)
- Short-term investments
- CanadAm short-term investments (liquidated April 1, 2001, and investments transferred to the specialized U.S. equity portfolio)

2. ACCOUNTING POLICIES

The combined financial statements of the Caisse have been prepared by management in accordance with accounting principles generally accepted in Canada. These statements include amounts based on best judgement and estimates.

a) Combined financial statements

The combined financial statements comprise the accounts of the Caisse's subsidiaries, those of the General Fund and the Individual Funds, as well as those of the specialized portfolios. The accounts of each of these Funds and each of these portfolios are reflected in separate financial statements audited by the Auditor General of Québec.

b) Investments and joint operations

Investments and related assets and liabilities are accounted for at fair value, which is the estimated exchange value which would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act, established at year-end.

Fixed-income securities

Fixed-income securities comprise short-term investments, bonds and mortgages. These securities are recorded as at the commitment date, except mortgages, which are recorded as at the date of agreement.

i) Valuation method

The fair value of fixed-income securities is determined by means of valuation methods used in capital markets, such as the annualization of future cash flows at the current interest rate and the closing prices of the major stock exchanges as well as those provided by recognized financial institutions. In addition, certain valuations are made according to commonly used valuation methods or on the basis of similar arm's-length transactions.

ii) Investment income and gains and losses on the sale of investments

Investment income from fixed-income securities includes amortization of the premium and the discount, which makes it possible to maintain a constant real return until maturity.

Gains and losses on the sale of investments represent the difference between the unamortized cost and the net realizable fair value on the sale of investments. The unamortized cost corresponds to the acquisition cost and the costs inherent to the acquisition of investments, and it is restated to take into account amortization of the premium or the discount.

2. ACCOUNTING POLICIES (cont'd)

b) Investments and joint operations (cont'd)

Variable-income securities

Variable-income securities comprise shares and convertible securities as well as real estate holdings. Shares and convertible securities are recorded as at the commitment date whereas real estate holdings are recorded as at the date of agreement.

i) Valuation method

The fair value of shares traded on a stock exchange is determined from the closing prices on the major stock exchanges as well as those provided by recognized financial institutions. For shares not traded on a stock exchange and real estate holdings, valuations are made by independent valuators, while others are made according to commonly used valuation methods or on the basis of similar arm's-length transactions. The valuations of shares and convertible securities that are not publicly traded are reviewed annually by an independent valuation committee.

ii) Investment income and gains and losses on the sale of investments

Dividend income is recognized on the ex-dividend date.

Income from real estate holdings is reduced by interest on loans, notes payable and mortgage loans payable, and is recorded under the item Net investment income – variable-income securities.

Gains and losses on the sale of investments represent the difference between the cost and the net realizable value on the sale of investments. The cost corresponds to the acquisition cost and the costs inherent to the acquisition of investments.

Derivative financial instruments

Pursuant to its investment operations management, the Caisse conducts transactions involving various derivative financial instruments, to hedge against the risks associated with fluctuations in exchange rates or to manage the risks associated with interest rate and market fluctuations.

Derivative financial instruments whose fair value is favourable are recorded in the item Investments, while those whose faire value is unfavourable are recorded in Liabilities related to investments.

i) Valuation method

Derivation financial instruments are recorded at their fair value at year-end. These values are established from closing prices on the major stock exchanges as well as those provided by recognized financial institutions. In the case of unlisted instruments, certain valuations are made on the basis of similar arm's-length transactions or according to recognized, commonly used models.

ii) Investment income and gains and losses on the sale of investments

Investment income relative to derivative financial instruments is included in income from fixed-income and variable-income securities, whereas gains and losses relative to derivative financial instruments are included in gains (losses) on the sale of investments as a function of the underlying investments.

Gains and losses from derivative financial instruments used to hedge foreign exchange risk related to investments denominated in foreign currencies are deferred until the hedged investment is sold.

Securities acquired under reverse repurchase agreements

The Caisse conducts securities borrowing operations involving short-term investments and bonds, to cover short sales or to generate additional income from securities borrowing operations. These securities borrowing operations are recorded in Securities acquired under reverse repurchase agreements. Interest earned on reverse repurchase agreements is recorded as interest income under the item Net investment income – Fixed-income securities.

2. ACCOUNTING POLICIES (cont'd)

b) Investments and joint operations (cont'd)

Securities sold under repurchase agreements

The Caisse conducts securities lending operations involving short-term investments and bonds, to generate cash flow liquidity purposes or to generate additional income from securities lending operations. These securities lending operations are recorded in Securities sold under repurchase agreements. Interest paid on repurchase agreements is reduced by Net investment income – Fixed-income securities.

Short selling of securities

Short selling of securities represents the commitment by the Caisse to purchase securities that it did not hold at the time of the sale. Interest related to commitments involving short selling of short-tem investments and bonds is recorded in net Investment income – fixed-income securities, while costs related to commitments involving short selling of shares are recorded in Net investment income – Variable-income securities.

Gains and losses on commitments related to short selling of short-term investments and bonds are recorded in Gains and losses on the sale of investments – Fixed-income securities, while those related to short selling of shares are recorded in Gains and losses on the sale of investments – Variable-income securities.

c) Property administered and property under management

The subsidiaries of the Caisse administer and manage property entrusted to them by clients and on their behalf. This property is not included in the combined statement of net assets of the Caisse. The subsidiaries of the Caisse receive fees in return for the portfolio management services and administrative services provided, which include administration of real estate properties and management of securitized loans.

d) Foreign currency translation

The fair value of investments and any other assets and liabilities denominated in foreign currencies is translated into Canadian dollars at the rate of exchange prevailing at year-end.

The cost of investments in shares and that of real estate holdings from integrated foreign operations and the unamortized cost of investments in bonds, mortgages and short-term investments are translated at the rate prevailing on the acquisition date. The cost of investments from self-sustaining foreign operations is translated at the rate prevailing at year-end.

Income is translated at the rate of exchange prevailing on the transaction date, except income from the specialized real estate investments portfolio, which is translated at the average rate for the year.

e) Fixed assets

Costs related to the acquisition of telephone, computer and office automation equipment are capitalized and amortized over the useful life of each asset. Set-up costs for premises and other leasehold improvement costs are amortized over the term of the lease. Costs related to the acquisition of land and to buildings in construction are capitalized. These fixed assets are presented under the item Other assets.

f) Investment management expenses and administrative expenses

Investment management expenses cover all expenses related directly to investment operations, including expenses paid to external financial institutions. These expenses are presented under a specific item and are deducted from investment income. General administrative expenses are presented under the item Administrative expenses.

3. INVESTMENTS AND LIABILITIES RELATED TO INVESTMENTS

a) Investments

	2001		2000	
	Fair value	Cost	Fair value	Cost
Fixed-income securities				
Short-term investments				
Canadian	4 134	4 151	4 435	4 445
Foreign	981	1 001	784	797
	5 115	5 152	5 219	5 242
Bonds				
Securities issued or guaranteed by:				
Canadian government	8 911	8 708	12 867	12 572
Province of Québec	13 204	12 494	13 564	12 858
Other Canadian provinces	284	291	349	358
Municipalities and other Canadian bodies	1 469	1 325	1 436	1 303
Canadian government corporations	4 741	4 145	4 705	4 111
U.S. government	2 701	2 638	1 459	1 473
Other foreign governments	1 097	1 118	1 398	1 377
Mortgage bonds	163	162	152	154
Canadian corporations	3 760	3 828	2 581	2 630
Foreign corporations	2 587	2 713	1 824	1 936
	38 917	37 422	40 335	38 772
Mortgages				
Canadian	3 669	3 597	2 370	2 352
Foreign	336	311	188	176
	4 005	3 908	2 558	2 528
Total fixed-income securities	48 037	46 482	48 112	46 542
Variable-income securities				
Shares and convertible securities				
Canadian	19 531	20 370	21 383	17 608
American	11 030	11 033	10 115	8 610
Foreign and emerging markets	11 747	12 339	11 653	11 322
Other	1 131	1 077	293	296
	43 439	44 819	43 444	37 836
Real estate holdings				
Canadian	8 982	9 062	9 041	9 263
Foreign	6 557	6 089	4 828	4 389
	15 539	15 151	13 869	13 652
Total variable-income securities	58 978	59 970	57 313	51 488
Amounts carried forward	107 015	106 452	105 425	98 030

CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in millions of dollars)

3. INVESTMENTS AND LIABILITIES RELATED TO INVESTMENTS (cont'd)

a) Investments (cont'd)

	2001		2000	
	Fair value	Cost	Fair value	Cost
Amounts brought forward	107 015	106 452	105 425	98 030
Amounts to be received in respect of investments				
Canadian securities acquired under reverse repurchase agreements	1 103	1 103	319	319
Foreign securities acquired under reverse repurchase agreements	7 407	7 369	2 644	2 654
Amount pertaining to Canadian derivative products	137		81	8
Amount pertaining to foreign derivative products	846	247	1 224	114
	9 493	8 719	4 268	3 095
Total investments	116 508	115 171	109 693	101 125

b) Liabilities related to investments

	2001		2000	
	Fair value	Cost	Fair value	Cost
Canadian securities sold under repurchase agreements	5 802	5 801	4 106	4 104
Foreign securities sold under repurchase agreements	6 505	6 478	1 724	1 715
Canadian loans ad notes payable	747	755	770	771
Foreign loans and notes payable	472	474	105	105
Canadian commercial mortgage-backed securities	675	659	453	448
Short selling of Canadian securities	5 076	4 967	4 449	4 068
Short selling of foreign securities	5 362	5 183	2 730	2 845
Canadian mortgage loans payable	2 539	2 483	2 835	2 812
Foreign mortgage loans payable	3 345	3 325	2 587	2 593
Amount pertaining to Canadian derivative products	127	19	52	10
Amount pertaining to foreign derivative products	1 052	171	1 415	138
	31 702	30 315	21 226	19 609

3. INVESTMENTS AND LIABILITIES RELATED TO INVESTMENTS (cont'd)

c) Non-controlling interests

	2001		2000	
	Fair value	Cost	Fair value	Cost
Canadian	392	440	672	532
Foreign	210	93	107	68
	602	533	779	600

d) Summary geographic breakdown at market value of investments and liabilities related to investments

	2001			2000		
	Canadian	Foreign	Total	Canadian	Foreign	Total
Investments						
Fixed-income securities	39 732	8 305	48 037	41 861	6 251	48 112
Shares and convertible securities	19 531	23 908	43 439	21 383	22 061	43 444
Real estate holdings	8 982	6 557	15 539	9 041	4 828	13 869
Amounts to be received in respect of investments	1 240	8 253	9 493	400	3 868	4 268
	69 485	47 023	116 508	72 685	37 008	109 693
Liabilities related to investments	14 966	16 736	31 702	12 665	8 561	21 226
Non-controlling interests	392	210	602	672	107	779

3. INVESTMENTS AND LIABILITIES RELATED TO INVESTMENTS (cont'd)

e) Summary of maturities of investments and liabilities related to investments at par value

	2001					2000	
	Less than 2 years	2 to 5 years	More than 5 years	Total	Effective interest rate	Total par value	Effective interest rate
Fixed-income securities							
Short-term investments							
Canadian	3 632	190	235	4 057	2.8 %	4 489	5.9 %
Foreign	336	235	425	996	6.4	731	8.4
	3 968	425	660	5 053	4.1	5 220	6.3
Bonds							
Securities issued or guaranteed by:							
Canadian government	1 670	1 971	4 589	8 230	5.4	12 126	5.8
Province of Québec	822	2 880	8 300	12 002	6.5	12 266	7.0
Other Canadian provinces	62	20	166	248	5.7	304	5.9
Municipalities and other Canadian bodies	160	509	583	1 252	7.4	1 238	7.9
Canadian government corporations	161	294	3 889	4 344	7.6	4 255	7.9
U.S. government	1 871	72	654	2 597	4.0	1 399	4.6
Other foreign governments		199	860	1 059	3.7	1 392	5.7
Mortgage bonds		6	142	148	7.3	154	7.3
Canadian corporations	915	1 153	1 486	3 554	6.4	2 653	8.3
Foreign corporations	539	496	1 736	2 771	6.5	1 971	8.8
	6 200	7 600	22 405	36 205	6.2	37 758	6.8
Mortgages							
Canadian	967	918	1 712	3 597	7.4	2 352	7.8
Foreign	161	23	127	311	13.7	176	14.3
	1 128	941	1 839	3 908	7.9	2 528	8.3
	11 296	8 966	24 904	45 166	6.0 %	45 506	6.8 %
Amounts to be received with respect to investments							
Canadian securities acquired under reverse repurchase agreements	1 109			1 109	2.2 %	320	5.7 %
Foreign securities acquired under reverse repurchase agreements	7 415			7 415	1.5	2 669	5.6
	8 524			8 524	1.6 %	2 989	5.6 %

3. INVESTMENTS AND LIABILITIES RELATED TO INVESTMENTS (cont'd)

e) Summary of maturities of investments and liabilities related to investments at par value (cont'd)

	2001					2000	
	Less than 2 years	2 to 5 years	More than 5 years	Total	Effective interest rate	Total par value	Effective interest rate
Liabilities related to investments							
Securities sold under repurchase agreements	12 329			12 329	1.9 %	5 841	5.6 %
Loans and notes payable	923	347	173	1 443	3.4	927	6.5
Canadian commercial mortgage-backed securities	27	85	548	660	6.2	448	6.1
Short selling of securities	1 235	2 424	3 629	7 288	3.4	4 979	5.6
Mortgage loans payable	1 588	1 620	2 600	5 808	6.5	5 405	7.7
	16 102	4 476	6 950	27 528	3.4 %	17 600	6.3 %

The cost of investments was reduced by $557 million as at December 31, 2001 ($18 million in 2000), which represents the amount of the gains (losses) carried over to derivative financial foreign exchange risk hedging instruments.

The fair value of investments in bonds, shares and convertible securities, and short-term investments includes certain investments in private companies, in the amount of $1 317 million, $1 110 million and $6 955 million respectively as at December 31, 2001 ($1 263 million in short-term investments, $1 129 million in bonds, and $8 719 million in shares and convertibles securities in 2000), for which market prices are not available.

4. DEPOSITORS' HOLDINGS

Demand and term deposits bear interest and constitute the Caisse's indebtedness toward the depositors.

Participation deposits are expressed in units and each unit gives its holder a proportionate share in the net equity and net income of a particular Fund. At the end of each monthly period for the General Fund and the Individual Funds, the net investment income and gains and losses on the sale of investments are distributed to participation deposit holders. At the beginning of the following period, the amounts distributed are paid out to (recovered from) the depositors' demand deposit accounts.

	2001	2000
Indebtedness toward depositors		
Demand deposits	106	79
Term deposits	36	22
Interest on demand and term deposits		(2)
Net income to be paid out to participation deposit holders	455	550
Amounts carried forward	597	649

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in millions of dollars)

4. DEPOSITORS' HOLDINGS (cont'd)

	2001	2000
Amounts brought forward	597	649
Participation deposit holders' holdings		
Participation deposits		
Balance, beginning of year	73 802	62 203
Units issued	6 949	17 086
Units cancelled	(561)	(5 487)
Balance, end of year	80 190	73 802
Amount not allocated with respect to real estate holdings *	73	79
Unrealized increase (decrease) in value allocated following interfund transactions	(129)	(113)
Amount not allocated following gains and losses on the sale of investments in the specialized portfolios **	4 661	7 074
Unrealized increase (decrease) in the value of investments and other related assets and liabilities	(119)	6 772
	84 676	87 614
Depositors' holdings	85 273	88 263

* Represents the restated amount of accumulated amortization of real estate properties resulting from the recording of investments at fair value. This amount will be allocated upon the sale of the properties.

** Represents the gains and losses on the sale of investments in the specialized portfolios which are not distributed at year-end. This amount will be allocated upon the sale of the participation units in portfolios.

5. NET INVESTMENT INCOME, GAINS (LOSSES) ON THE SALE OF INVESTMENTS AND UNREALIZED INCREASE (DECREASE) IN THE VALUE OF INVESTMENTS AND LIABILITIES RELATED TO INVESTMENTS

a) Net investment income

	2001	2000
Fixed-income securities		
Short-term investments	282	489
Bonds	2 000	2 103
Mortgages	206	147
	2 488	2 739
Variable-income securities		
Shares and convertible securities	579	629
Real estate holdings	651	569
	1 230	1 198
Other income	32	20
Investment management expenses net of fees received (Note 6)	(98)	(93)
Non-controlling interests	(53)	(82)
	3 599	3 782

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in millions of dollars)

5. NET INVESTMENT INCOME, GAINS (LOSSES) ON THE SALE OF INVESTMENTS AND UNREALIZED INCREASE (DECREASE) IN THE VALUE OF INVESTMENTS AND LIABILITIES RELATED TO INVESTMENTS (cont'd)

b) Gains (losses) on sale of investments

	2001	2000
Fixed-income securities		
Short-term investments	441	(187)
Bonds	377	(104)
Mortgages		(3)
	818	(294)
Variable-income securities		
Shares and convertible securities	(2 130)	7 248
Real estate holdings	19	58
	(2 111)	7 306
Non-controlling interests	(17)	
	(1 310)	7 012

c) Unrealized increase (decrease) in the value of investments and liabilities related to investments

	2001	2000
Fixed-income securities		
Short-term investments	(330)	452
Bonds	136	411
Mortgages	62	50
Securities acquired under reverse repurchase agreements	48	14
	(84)	927
Variable-income securities		
Shares and convertible securities	(7 340)	(7 363)
Real estate holdings	187	381
	(7 153)	(6 982)
Less:		
Liabilities related to investments		
Loans and notes payable	(9)	(1)
Commercial mortgage-backed securities	11	8
Securities sold under repurchase agreements	17	40
Short selling of securities	22	(253)
Mortgage loans payable	59	61
Derivative financial instruments	(330)	(169)
Non-controlling interests	(110)	62
	(340)	(252)
	(6 897)	(5 803)

6. INVESTMENT MANAGEMENT EXPENSES NET OF FEES RECEIVED

	2001	2000
Salaries and employee benefits	77	57
Professional fees	37	20
Premises and equipment	6	4
Depreciation of fixed assets	11	10
Other	19	10
	150	101
External – management and safekeeping of securities	15	13
Less:		
Received fees	67	21
	98	93

7. ADMINISTRATIVE EXPENSES

	2001	2000
Salaries and employee benefits	31	25
Professional fees	8	8
Premises and equipment	3	4
Depreciation of fixed assets	4	4
Other	10	7
	56	48

8. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are financial contracts whose value fluctuates as a function of the underlying security, and which do not require holding or delivery of the underlying good itself. The underlying good may be of a financial nature (interest rate, foreign currency, stock market security or index) or a commodity (precious metal, foodstuff, oil).

The notional amount of a derivative financial instrument represents the value of the theoretical capital to which a rate or a price applies to determine the exchange of future financial returns, and does not reflect the credit risk pertaining to the instrument.

The Caisse uses derivative financial instruments that include those described below:

Forward contracts and futures contracts are undertakings that enable to receive or deliver an underlying good, the quantity and price of which are determined in the contract, by a predetermined delivery date. A forward contract involves customized conditions negotiated directly between the parties on the over-the-counter market. A futures contract has terms and conditions determined by an organized market.

A swap is a transaction whereby two parties agree to exchange financial returns on predetermined conditions that include a notional amount and a term.

An option is a contract negotiated by mutual agreement or traded on an organized market, giving the purchaser the right, but not the obligation, to buy or sell a given amount of an underlying security, index or commodity, at a strike price stipulated in advance, either at a determined date or at any time before a specified maturity.

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in millions of dollars)

8. DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

Foreign exchange risk arises from investments and liabilities related to investments denominated in foreign currencies as well as related derivative financial instruments. When the exchange risk is hedged, the Caisse uses instruments negotiated with banks; the maturities generally range from one to three months in the case of forward exchange contracts and options, and one to two years for foreign currency swaps. On maturity, new derivative financial instruments are negotiated to maintain effective long-term hedging of foreign exchange risks associated with investments and liabilities related to investments in foreign currencies.

Moreover, swaps, futures contracts and options negotiated with counterparties are used to manage the interest rate and market risks of the total investment portfolio, as well as to generate additional income, which is included in income or expenses from fixed-income and variable-income securities.

These transactions are negotiated with counterparties whose credit rating is established by a recognized credit rating agency, and operational limits are duly approved by management, which supports signing compensation agreements in order to limit credit risk.

a) Summary of derivative financial instruments

	2001				2000
	Notional amount	Fair Value			Net amount
		Assets	Liabilities	Net amount	
Foreign exchange risk hedging					
Foreign currency swaps	527	8	140	(132)	(113)
Forward contracts	28 774	127	445	(318)	(197)
Over-the-counter foreign currency options					
Purchases	255	2		2	
Sales	120				(2)
	29 676	137	585	(448)	(312)
Interest rate and market risk management					
Interest rate and foreign currency swaps	32 097	432	356	76	13
Equity swaps	2 935	17	18	(1)	17
Forward contracts	24 670	206	105	101	128
Futures contracts	44 990				
Exchange-traded options					
Purchases	15 782	29		29	15
Sales	19 823		26	(26)	(24)
Over-the-counter options					
Purchases	12 669	162		162	98
Sales	8 526		89	(89)	(97)
	161 492	846	594	252	150
Fair value of derivative financial instrument contracts	191 168	983	1 179	(196)	(162)

8. DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

b) Summary of derivative financial instrument maturities

	2001				2000
	Notional amount – Maturity				Notional amount
	Less than 2 years	2 to 5 years	More than 5 years	Total	Net amount
Foreign exchange risk hedging					
Foreign currency swaps	20	20	487	527	586
Forward contracts	28 734	40		28 774	25 176
Over-the-counter foreign currency options					
Purchases	231	24		255	126
Sales	120			120	239
	29 105	84	487	29 676	26 127
Interest rate and market risk management					
Interest rate and foreign currency swaps	5 314	12 734	14 049	32 097	15 479
Equity swaps	2 935			2 935	385
Forward contracts	24 670			24 670	25 701
Futures contracts	26 413	14 294	4 283	44 990	13 985
Exchange-traded options					
Purchases	15 782			15 782	2 185
Sales	19 823			19 823	1 955
Over-the-counter options					
Purchases	7 387	3 702	1 580	12 669	7 544
Sales	4 886	2 443	1 197	8 526	3 350
	107 210	33 173	21 109	161 492	70 584
Total derivative financial instrument contracts	136 315	33 257	21 596	191 168	96 711

9. COLLATERALS

In the normal course of business, the Caisse conducts transactions involving the lending and borrowing of securities in exchange for collateral or assets with various counterparties which clearing agreements have been signed to limit credit risk. In its securities-lending operations, the Caisse received assets as collateral. As at December 31, the Caisse pledged and received as collateral securities and other assets for amounts of $13 254 million ($7 597 million in 2000) and $9 364 million ($3 048 million in 2000) respectively. The amount of the assets pledged as collateral consists of assets with a value of $827 million ($834 million in 2000), which were pledged to participate in clearing and payment systems, and deposited with depositaries.

10. FIGURES PRESENTED FOR COMPARISON PURPOSES

Certain comparative figures have been reclassified to conform with the presentation used in the current year.

CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

REPORT OF MANAGEMENT

The financial statements of the Caisse de dépôt et placement du Québec were prepared by management, which is responsible for their preparation and presentation, including estimates and material judgements. This responsibility includes selecting the appropriate accounting policies in accordance with generally accepted accounting principles in Canada. Management is also responsible for the information and declarations disclosed in other sections of the Operations report, and ensures that the financial information presented elsewhere in this annual report is consistent with that shown in the financial statements.

Management maintains systems of internal accounting controls which are designed to provide reasonable assurance that assets are safeguarded and that transactions are recorded in an appropriate and timely manner, that they are duly authorized and allow for the preparation of reliable financial statements. The internal audit team reviews the internal controls on a regular basis to ensure they are adequate and applied consistently by the Caisse.

The Caisse is aware of its responsibility to manage its operations in accordance with the rules and regulations that govern the institution.

The Board of Directors supervises the manner in which management assumes its responsibility regarding financial information, and it has approved the financial statements. The Board of Directors is assisted by the Audit Committee, of which only one member is also an officer of the Caisse. The Audit Committee meets with management and the auditor, examines the financial statements and recommends their approval by the Board of Directors.

The financial statements of the Caisse are audited by the Auditor General of Québec, who conducted his audit in accordance with generally accepted auditing standards in Canada. The auditor's report covers the nature and scope of the audit and expresses the auditor's opinion on the financial statements. The Auditor General has unrestricted access to the Audit Committee to discuss any matter relating to his audit.

Jean-Claude Scraire
Chairman of the Board and
Chief Executive Officer

Bertrand Lauzon
Executive Vice-President, Finance and
Information Technologies

Montréal, February 14, 2002

CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

AUDITOR'S REPORT

To the National Assembly

I have audited the combined statement of net assets of the Funds of the Caisse de dépôt et placement du Québec as at December 31, 2001, the combined statement of income and the combined statement of changes in net assets for the year then ended. These financial statements are the responsibility of the Caisse's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in Canada. These standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these combined financial statements present fairly, in all material respects, the financial position of these Funds as at December 31, 2001, and the results of their operations and the changes in their net assets for the year then ended in accordance with accounting principles generally accepted in Canada. As required by the Auditor General Act (R.S.Q., chapter V-5.01), I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General

Québec City, February 14, 2002

CENTRE DE RECHERCHE INDUSTRIELLE DU QUÉBEC
(R.S.Q., c. C-8.1)

INCOME AND DEFICIT
for the year ended March 31, 2002

	2002	2001
REVENUE		
Revenue from projects		
Research and development	$16 183 424	$14 280 806
Services	16 372 842	16 961 728
Other revenue	1 004 670	1 020 117
	33 560 936	32 262 651
EXPENDITURE		
Salaries and fringe benefits	20 832 357	18 998 057
Direct project costs	4 834 613	5 185 868
Building occupancy expenses	2 826 328	2 778 215
Operating expenses	3 224 044	4 155 827
Bank interest	738 115	232 103
Depreciation of fixed assets	2 176 599	1 909 073
	34 632 056	33 259 143
LOSS BEFORE THE FOLLOWING ITEMS	(1 071 120)	(996 492)
Share in the satellite corporation's performance	(1 026 194)	(207 345)
Gain related to marketing (Note 3)		572 670
NET LOSS	(2 097 314)	(631 167)
DEFICIT, BEGINNING OF YEAR	(3 674 023)	(3 042 856)
DEFICIT, END OF YEAR	$(5 771 337)	$(3 674 023)

CENTRE DE RECHERCHE INDUSTRIELLE DU QUÉBEC

BALANCE SHEET
as at March 31, 2002

	2002	2001
ASSETS		
Current assets		
Cash on hand		$564 412
Accounts receivable (Note 4)	$6 389 740	7 104 896
Projects in progress	3 985 683	2 862 567
Prepaid expenses	343 939	431 437
Inventory (Note 5)	1 639 302	1 310 430
	12 358 664	12 273 742
Long-term assets		
Long-term receivables (Note 6)	837 087	229 264
Investments (Note 7)	8 715 680	9 758 089
Fixed assets (Note 8)	18 678 938	19 302 014
	28 231 705	29 289 367
	$40 590 369	$41 563 109
LIABILITIES		
Current liabilities		
Bank overdraft	$3 268 593	
Bank loan (Note 9)	3 908 920	
Accounts payable and accruals (Note 10)	7 132 969	$3 953 760
Deferred revenue	1 858 681	9 732 162
Instalment on long-term debt (Note 11)	5 673 159	1 673 851
	21 842 322	15 359 773
Long-term liabilities		
Long-term debt (Note 11)	45 244	5 403 219
SHAREHOLDER'S EQUITY		
Capital stock (Note 12)	24 474 140	24 474 140
Deficit (Note 13)	(5 771 337)	(3 674 023)
	18 702 803	20 800 117
	$40 590 369	$41 563 109

CONTINGENCIES (Note 14)
SUBSEQUENT EVENT (Note 15)

On behalf of the Board of Directors,
André Bazergui
Serge Guérin

CENTRE DE RECHERCHE INDUSTRIELLE DU QUÉBEC

CASH FLOWS
for the year ended March 31, 2002

	2002	2001
OPERATING ACTIVITIES		
Net loss	$(2 097 314)	$(631 167)
Adjustments for:		
Depreciation of fixed assets	2 176 599	1 964 101
Amortization of development costs		184 124
Gain on disposal of investments		(252 560)
Drop in value of other investments	16 215	
Gain on disposal of development costs		(1 642 058)
(Gain) loss on disposal of fixed assets	(31 006)	63 088
Interest capitalized in advance by the Ministère des Finances	258 185	367 774
Share in performance of satellite corporation	1 026 194	207 345
Change in non-cash elements linked to operations (Note 16)	(3 051 364)	(1 881 479)
Cash flows used for operating activities	(1 702 491)	(1 620 832)
INVESTMENT ACTIVITIES		
Advances on wages to employees	(703 496)	
Reimbursement of advances on wages to employees	46 728	
Long-term receivables	(11 740)	(234 835)
Repayment of loans to employees	48 352	40 468
Acquisition of investments		(12 691 104)
Proceeds from disposal of investments		3 836 739
Acquisition of fixed assets (Note 16)	(1 646 995)	(4 092 535)
Proceeds from disposal of fixed assets	190 478	233 152
Development expenses		(3 717 926)
Proceeds from disposal of development costs		9 876 308
Cash flows used for investment activities	(2 076 673)	(6 749 733)
FINANCING ACTIVITIES		
Sum received for shortage of liquid assets - Ministère de la Recherche, de la Science et de la Technologie		7 500 000
Bank loan	(44 840)	(10 480)
Repayment of long-term debt	(9 001)	
Cash flows (used for) provided by financing activities	(53 841)	7 489 520
DECREASE IN CASH ON HAND	(3 833 005)	(881 045)
CASH ON HAND, BEGINNING OF YEAR	564 412	1 445 457
(BANK OVERDRAFT) CASH ON HAND, END OF YEAR	$(3 268 593)	$564 412

CENTRE DE RECHERCHE INDUSTRIELLE DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

The Act to establish the Centre de recherche industrielle du Québec (R.S.Q., c. C-8.1) was replaced on June 30, 1997 to enable the Centre to continue operating as a joint stock legal person established in the public interest. Centre shares are part of the public domain and are held by the Minister of Finance. The purpose of the Centre is to design, develop and test industrial equipment, products and processes; operate, alone or in partnership, the equipment, products and processes it develops or for which it owns the rights; collect and disseminate technological and industrial data and information; and carry out standardization and certification activities.

2. ACCOUNTING POLICIES

The Centre's financial statements were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Projects in progress

Projects in progress are accounted for according to the percentage-of-completion method established based on actual billed labour and purchases charged to contracts in relation to the total estimated labour and purchases. Where the estimated total cost exceeds the recoverable amount, the surplus is recorded as a loss during the year.

Inventory

Inventory has been recorded at the lesser of cost and net realizable value. The cost was calculated using the first in, first out method.

Investments

The Centre records its investments at equity value when its participation in an issuing corporation's voting shares allow it to exercise notable influence on this satellite corporation's financial and administrative decisions.

Other investments are recorded at acquisition cost. Any lasting drop in value is deducted from the book value of the investments.

Fixed assets

Fixed assets are recorded at cost.

The building erected on a plot of land belonging to the Communauté urbaine de Québec is depreciated according to the straight-line method over the 38-year period during which the Centre has a right to use this land. Other fixed assets are depreciated using the diminishing balance method at the following rates:

Buildings	5% and 8%
Furniture and equipment	15%, 20% and 40%
Data processing equipment and software	25% and 30%
Automotive equipment	30%

Intangible assets are depreciated according to the straight-line method over an 8-year period.

Equipment purchased for the Centre's research and development projects is not capitalized but charged to the cost of the project concerned and billed to clients.

Deferred revenue

Deferred revenue consists of amounts billed for services not rendered and of clients' deposits collected in advance, in accordance with contract agreements.

2. ACCOUNTING POLICIES (cont'd)

Pension plan

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the Centre lacks sufficient information to apply the accounting procedure for defined-benefit plans.

Cash and cash equivalents

Cash and cash equivalents consist of bank balances including bank overdrafts whose balances often vary between overdrawn and available.

3. MARKETING ACTIVITIES

All marketing activities carried out by Centre staff have been transferred to a satellite corporation.

Marketing revenues and expenses are as follows:

	2002	2001
Revenue		
Products		$3 714 742
Expenditure		
Operations		4 333 895
Interest		459 265
Depreciation of fixed assets		55 028
Amortization of development costs		184 124
		5 032 312
Operating loss		(1 317 570)
Gain on disposal of development costs		1 642 058
Gain on disposal of investments		252 560
Loss on disposal of fixed assets		(4 378)
		1 890 240
Gain related to marketing		$572 670

4. ACCOUNTS RECEIVABLE

	2002	2001
Clients	$4 232 699	$3 869 369
Ministère de l'Industrie et du Commerce	2 000 006	2 000 000
Advance to Intellium Technologies inc.		1 090 825
Advance to a limited partnership	125 000	125 000
Loans to employees	32 035	19 702
	$6 389 740	$7 104 896

5. INVENTORY

	2002	2001
Parts and supplies	$403 146	$294 750
Products	1 236 156	1 015 680
	$1 639 302	$1 310 430

6. LONG-TERM RECEIVABLES

	2002	2001
Loans to employees*	$62 354	$23 966
Other receivables**	150 000	225 000
Advance on wages to employees***	656 768	
	869 122	248 966
Short-term portion	(32 035)	(19 702)
	$837 087	$229 264

* This amount represents interest-free loans repayable over three years for the purchase of computers under a program approved by the Centre's Board of Directors.

** Account receivable from a client, coming due on August 2, 2004, interest-free.

*** An advance equal to two weeks' pay was granted all employees to enable the Centre to defer pay day by two weeks. This advance bears no interest and is repayable on each employee's departure.

7. INVESTMENTS

	2002	2001
Investment in a satellite corporation		
471 510 class "B" shares in Intellium Technologies inc., voting and participating	$4 507 755	$4 715 100
Share in the corporation's performance	(1 026 194)	(207 345)
	3 481 561	4 507 755
500 000 class "C" shares in Intellium Technologies inc., non-voting or participating, redeemable	5 000 000	5 000 000
	8 481 561	9 507 755
Participation in limited partnerships	234 119	250 334
	$8 715 680	$9 758 089

The Centre committed to selling its other investments to Intellium Technologies inc. for 28 500 category B shares in this company for a total of $285 000.

8. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net value	Net value
Tangible assets				
Land (*)	$1 262 235		$1 262 235	$1 239 436
Building (*)	20 575 638	$11 858 709	8 716 929	9 078 306
Furniture and equipment	18 013 673	13 510 502	4 503 171	4 286 322
Data processing equipment and software	10 101 706	8 251 797	1 849 909	2 106 305
Automobile equipment	258 309	134 507	123 802	43 445
	50 211 561	33 755 515	16 456 046	16 753 814
Intangible assets	2 602 463	379 571	2 222 892	2 548 200
	$52 814 024	$34 135 086	$18 678 938	$19 302 014

(*) The Centre acquired the right to use a piece of land belonging to the Communauté urbaine de Québec. A building, with a net book value of $869 248 as at March 31, 2002 (2001: $834 612) will be transferred to the CUQ at no cost on July 24, 2030.

9. BANK LOAN

This bank loan, of a maximum authorized amount of $4 million bears interest at a fixed rate of 2.33% until January 8, 2003. Interest paid during the fiscal year totals $156 376 (2001: $155 727).

10. ACCOUNTS PAYABLE AND ACCRUALS

	2002	2001
Suppliers and other accrued liabilities	$2 716 577	$3 882 751
Salaries and fringe benefits	2 313 994	1 940 230
Provision for vacation time	2 102 398	1 990 981
Provision for completing product development costs		1 918 200
	$7 132 969	$9 732 162

11. LONG-TERM DEBT

	2002	2001
Advance from the Ministère des Finances	$5 661 404	$5 403 219
Fixed-rate borrowing, 9.25%, repayable in 60 monthly payments of $1 378, maturing in May 2006	56 999	
	5 718 403	5 403 219
Portion maturing within one year	(5 673 159)	
	$45 244	$5 403 219

The advance from the Ministère des Finances, bearing interest at the National Bank of Canada's prime rate, is repayable in its entirety when it comes due on March 31, 2003. Interest is payable at the rate of cash in from dividends paid by the satellite corporation and no later than the advance's due date.

CENTRE DE RECHERCHE INDUSTRIELLE DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

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11. LONG-TERM DEBT (cont'd)

The capital payments to be made on the long-tem debt over the next five fiscal years break down as follows:

2003	$5 673 159
2004	12 889
2005	14 133
2006	15 497
2007	2 725

12. CAPITAL STOCK

	2002	2001
Authorized 650 000 shares with a par value of $100 each		
Issued and fully paid 244 741 shares	$24 474 140	$24 474 140

13. DEFICIT

On April 23, 1999, the Ministère de l'Industrie et du Commerce paid the Centre a sum of $15 million to offset the shortage of liquid assets as at March 31, 1999 and that expected for the first quarter of 1999-2000. This amount was posted to the contributed surplus and then transferred to the deficit.

Moreover, through an Order-in-Council dated March 29, 2000, the Gou ernement du Québec authorized the Ministère de la Recherche, de la Science et de la Technologie to pay the Centre financial assistance of $7.5 million for fiscal 1999-2000. This assistance was recorded under excess contributions and then transferred to the deficit.

14. CONTINGENCIES

Lawsuits totalling $21 000 have been filed against the Centre. According to the Centre, these suits will not result in any significant liability and, therefore, no allowance for losses has been recorded.

15. SUBSEQUENT EVENT

In its Order-in-Council of June 12, 2002, the Gouvernement du Québec authorized the Ministère de la Recherche, de la Science et de la Technologie to pay the Centre $5 370 023 to cover the following: $3 674 023 for the accumulated deficit as at March 31, 2001 and $1 696 000 to cover a portion of the loss for the fiscal year ending March 31, 2002. The balance of the loss for the fiscal year, $401 314 , will be taken from the sums paid to the Centre in 2002-2003.

16. CASH FLOWS

Changes in the non-cash elements linked to operations are as follows:

	2002	2001
Change in debtors	$727 489	$(4 383 443)
Change in projects in progress	(1 123 116)	564 848
Increase in inventory	(328 872)	(237 127)
Change in prepaid expenses	87 498	(93 788)
Change in accounts payable and accruals	(2 599 193)	3 211 030
Change in deferred revenue	184 830	(942 999)
	$(3 051 364)	$(1 881 479)

16. CASH FLOWS (cont'd)

During the fiscal year, fixed assets were acquired for a total cost of $1 712 995, $66 000 of which was financing by the seller.

Interest paid during the fiscal year amounted to $423 300 (2001: $418 536).

17. PENSION PLANS

The employees of the Centre participate in the Government and Public Employees Retirement Plan (RREGOP), the Civil Service Superannuation Plan (CSSP) and the Pension Plan of Management Personnel (PPMP) These are defined-benefit plans and include guaranteed payments upon retirement and death.

The Centre's contributions charged to the year-end statement amount to $647 560 (2001: $517 969). The Centre's liability towards these Government plans is restricted to its contributions as an employer.

18. RELATED PARTY TRANSACTIONS

During the fiscal year, the Centre performed the following transactions with:

	2002	2001
Ministère de l'Industrie et du Commerce		
Accounts receivable	$2 000 006	$2 000 000
Completed projects	8 000 000	8 000 000
Ministère des Finances		
Capitalized interest	258 185	367 774
Ministère de la Recherche, de la Science et de la Technologie		
Completed projects	9 500 000	9 000 000
Intellium Technologies inc.		
Debtors	89 277	
Work in progress		23 026
Investments		2 840 000
Fixed assets		6 875 000
Creditors	60 649	
Project revenue	115 160	
Wages charged again	255 555	
Occupancy costs charged again	60 150	
Operating costs charged again	56 850	

In addition to the related party transactions disclosed in its financial statements and measured at exchange value, the Centre is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Centre did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value

The accounting value of financial instruments, including the cash on hand, debtors, the bank loan and creditors, is comparable to the fair value, given the upcoming deadline of these instruments.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

Credit risk

The Centre's credit risk exposure corresponds to the accounting value of the financial assets. The credit risk related to these assets is not concentrated in a single sector of activity. The Centre conducts an ongoing assessment of these assets and posts a provision for losses when accounts are deemed uncollectable.

20. COMPARATIVE FIGURES

Certain 2001 figures were reclassified for consistency with the presentation adopted in 2002.

CENTRE DE RECHERCHE INDUSTRIELLE DU QUÉBEC

MANAGEMENT'S REPORT

The financial statements of the Centre de recherche industrielle du Québec were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Centre de recherche industrielle du Québec recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors oversees the way in which management fulfils its financial reporting duties, and has approved the financial statements. It is assisted by the audit committee.

The Auditor General of Québec has audited the Centre's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion.

Serge Guérin
President and Chief Executive Officer

Lionel Vézina
Vice-President, Finance and Administration

Québec, July 10, 2002

AUDITOR'S REPORT

To the Minister of Finance

I have audited the balance sheet of the Centre de recherche industrielle du Québec as at March 31, 2002, the statement of income and deficit and the cash flow statement for the year then ended. These financial statements are the responsibility of the Centre's management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Centre's financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

On behalf of the Auditor General of Québec,
France Alain, CA
Director of Consulting Services
and Quality Assurance

Québec, July 10, 2002

COMMISSAIRE DE L'INDUSTRIE DE LA CONSTRUCTION
(R.S.Q., c. R-20)

REVENUE AND EXPENDITURE AND SURPLUS
for the year ended March 31, 2002

	2002	2001
REVENUE		
Contributions (Note 3)		
Ministère de la Solidarité sociale	$46 500	$118 200
Commission de la construction du Québec	837 000	837 250
Régie du bâtiment du Québec	46 500	29 550
Ministère du Travail	100 000	100 000
Sale of goods and services	1 890	1 179
	1 031 890	1 086 179
EXPENDITURE		
Administrative expenses (Note 4)	1 055 193	975 929
EXCESS (EXPENDITURE OVER REVENUE) REVENUE OVER EXPENDITURE	(23 303)	110 250
SURPLUS, BEGINNING OF YEAR	281 085	170 835
SURPLUS, END OF YEAR	$257 782	$281 085

COMMISSAIRE DE L'INDUSTRIE DE LA CONSTRUCTION

BALANCE SHEET
as at March 31, 2002

	2002	2001
ASSETS		
Current assets		
Cash on hand	$600	$600
Advances to the Consolidated Revenue Fund, without interest or payment terms	354 896	449 433
	355 496	450 033
Fixed assets (Note 5)	242 195	301 834
	$597 691	$751 867
LIABILITIES		
Current liabilities		
Accounts payable and accruals	$168 759	$261 954
Provision for sick leave (Note 7)	171 150	208 828
SURPLUS	257 782	281 085
	$597 691	$751 867

Josette Béliveau
Commissaire de l'industrie de la construction

COMMISSAIRE DE L'INDUSTRIE DE LA CONSTRUCTION

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

The Commissaire de l'industrie de la construction, constituted by the Act respecting labour relations, vocational training and manpower management in the construction industry (R.S.Q., c. R-20), is mandated, at the request of any interested party, to hear and settle conflicts regarding qualifications related to the practice of a trade or an occupation. Any problem of interpretation or enforcement of section 19 of the regulations adopted under section 20 of the Act constituting the Commissaire de l'industrie de la construction must be referred to it. The latter also rules on recourses formulated under section 164.1 of the Building Act (R.S.Q., c. B-1.1), section 41.1 of the Act respecting manpower vocational training and qualification (R.S.Q., c. F-5) and section 35.2 of the Act respecting electrical installations (R.S.Q., c. I-13.01).

2. ACCOUNTING POLICIES

The financial statements of the Commissaire were prepared by management in accordance with accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements. The statement of changes in financial position is not shown as it would not provide any useful supplementary information regarding the Commissaire's cash flows during the year.

Fixed assets

Fixed assets are recorded at cost and depreciated over their estimated service life using the straight-line method at the following rates:

	Rate
Office automation and data processing equipment	33 1/3%
Computer systems	20%

Pension plans

The accounting procedure used for defined-contribution plans is applied to interentreprise government defined-benefit plans, given that the Commissaire lacks sufficient information to apply the accounting procedure for defined-benefit plans.

3. CONTRIBUTIONS

Commissaire de l'industrie de la construction financing comprises the following amounts:

- the amounts paid by the Minister of Labour and taken from the appropriations allocated annually for this purpose by the National Assembly;
- the amounts paid by the Commission de la construction du Québec, the Régie du bâtiment du Québec and the Ministère de la Solidarité sociale, whose amounts and terms are defined by the Government;
- the amounts collected from applying the tariffs on fees, honoraria and other business-related expenses incurred by the Commissaire de l'industrie de la construction, for cases tried before it and requests addressed to it.

4. ADMINISTRATIVE EXPENSES

	2002	2001
Salaries and fringe benefits	$630 812	$688 014
Transport and communications	41 388	38 900
Professional and administrative services	112 868	124 532
Maintenance and repairs	37 138	1 041
Rent	107 660	105 413
Materials and supplies	8 914	10 243
Equipment	1 475	2 362
Depreciation of fixed assets	64 938	5 424
	$1 055 193	$975 929

5. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net	Net
Office automation and data processing equipment	$22 967	$14 447	$8 520	$9 741
Computer systems (being developed)	292 093	58 418	233 675	292 093
	$315 060	$72 865	$242 195	$301 834

Acquisitions for the fiscal year come to $5 299 (2001: $290 319).

6. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements and recorded at exchange value, the Commissaire is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Commissaire de l'industrie de la construction did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

7. FUTURE BENEFITS PAYMENTS

Pension plans

The staff members of the Commissaire de l'industrie de la construction participate in the Government and Public Employees Retirement Plan (RREGOP), in the Civil Service Superannuation Plan (CSSP) or in the Pension Plan of Management Personnel. These are interenterprise defined-benefit plans and include guaranteed payments upon retirement and death.

The Commissaire's contributions charged to the year-end statement amount to $13 706 (2001: $8 877). The liability of the Commissaire towards these Government plans is restricted to its contributions as an employer.

Provision for sick leave

	2002	2001
Opening balance	$208 828	$208 407
Charge for the year	16 221	36 768
Benefits paid during the year	(53 899)	(36 347)
Closing balance	$171 150	$208 828

COMMISSAIRE DE L'INDUSTRIE DE LA CONSTRUCTION

MANAGEMENT'S REPORT

The financial statements of the Commissaire de l'industrie de la construction were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Commissaire recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The Auditor General of Québec has audited the Commissaire's financial statements in accordance with auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion.

Josette Béliveau
Commissaire de l'industrie de la construction

Québec, July 3, 2002

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Commissaire de l'industrie de la construction as at March 31, 2002 and the statement of revenue and expenditure and surplus for the year then ended. These financial statements are the responsibility of the Commissaire's management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Commission's financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these policies were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, July 3, 2002

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES
(R.S.Q., c. R-10)
GOVERNMENT AND PUBLIC EMPLOYEES RETIREMENT PLAN

NET ASSETS AVAILABLE FOR BENEFITS
as at December 31, 2001
(in thousands of dollars)

	2001	2000 (Note 10)
ASSETS		
Funds entrusted to the Caisse de dépôt et placement du Québec (Note 4)		
Employee contributions fund	29 566 536	35 973 471
Employer contributions fund	13 224	37 385
Supplemental pension plans fund	405 738	446 434
	29 985 498	36 457 290
Accounts receivable		
Employee contributions	47 641	54 887
Employer contributions	2 873	2 959
Amounts receivable from the Gouvernement du Québec	32 480	75 009
Amounts receivable – transfers	2 322	6 616
	85 316	139 471
Cash on hand	2 014	4 131
	30 072 828	36 600 892
LIABILITIES		
Contribution refunds and pensions payable	35 891	30 248
Excess employee contributions to be refunded	32 314	41 820
Administrative expenses payable	3 362	1 022
Owed to the Gouvernement du Québec - current account	9 872	5 555
	81 439	78 645
NET ASSETS AVAILABLE FOR BENEFITS (Notes 5, 7 and 9)	29 991 389	36 522 247

GOVERNMENT COMMITMENTS VIS-À-VIS THE PLAN (Note 6)

Luc Bessette
Chairman of the Commission

Michel Lagueux
Assistant Vice-Chairman

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

GOVERNMENT AND PUBLIC EMPLOYEES RETIREMENT PLAN

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
for the year ended December 31, 2001
(in thousands of dollars)

	2001	2000 (Note 10)
INCREASE IN ASSETS		
Employee contributions, including contributions for past service	530 203	554 838
Contributions of independent employers	47 757	50 779
Revenue from funds entrusted to the Caisse de dépôt et placement du Québec (Note 8)	1 284 878	1 566 904
Change in the fair value of funds entrusted to the Caisse de dépôt et placement du Québec (Note 8)	(2 845 828)	735 791
Interest revenue	1 626	1 937
	(981 364)	2 910 249
Amounts received or receivable from the Gouvernement du Québec		
Regular service	578 440	760 564
Transferred service	144 996	130 508
	723 436	891 072
	(257 928)	3 801 321
DECREASE IN NET ASSETS		
Benefits paid		
General plan		
Pensions	1 170 492	1 286 331
Contribution refunds, including interest	77 214	79 233
Transfers, including interest	52 988	64 896
Transfer of contributions cumulated by those targeted, including interest to Pension Plan of Management Personnel	92 903	
Supplemental pension plans		
Pensions	19 375	13 508
Contribution refunds, including interest	476	464
Transfers, including interest	72	87
Administrative expenses	27 165	25 278
	1 440 685	1 469 797
Amounts deposited in the Consolidated Revenue Fund (Note 3)		23 247
	1 440 685	1 493 044
NET (DECREASE) INCREASE BEFORE THE FOLLOWING ITEM:	(1 698 613)	2 308 277
Transfer of net assets of Pension Plan of Management Personnel (Note 9)	(4 832 245)	
NET (DECREASE) INCREASE FOR THE YEAR	(6 530 858)	2 308 277
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	36 522 247	34 213 970
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	29 991 389	36 522 247

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

GOVERNMENT AND PUBLIC EMPLOYEES RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS
December 31, 2001
(in thousands of dollars)

1. DESCRIPTION OF THE PLAN

The following description of the Government and Public Employees Retirement Plan is given for information purposes only. For more complete information concerning this plan, please consult the Act respecting the Government and Public Employees Retirement Plan (R.S.Q., c. R-10).

a) General information

The Plan is administered by the Commission administrative des régimes de retraite et d'assurances (CARRA). It is a defined-benefit pension plan offered to employees belonging to the civil service, the health and social services and the education sectors since July 1, 1973.

The pensions and benefits described below may differ for certain categories of employees designated by the Government.

b) Funding

Benefits for regular service are funded by contributors and the Government and other employers in the following proportions: 5/12 and 7/12 for service prior to July 1, 1982, and equal shares for service after to this date. However, additional benefits resulting from the revaluation of certain years of service entitling employees to pension credits are financed by contributors to a maximum of $680 million and the remainder is assumed by the Government.

Benefits for service transferred from the Teachers Pension Plan (TPP) and the Civil Service Superannuation Plan (CSSP) are funded by the Government.

Administrative expenses

Expenses related to the administration of this plan are assumed by the plan and divided equally between the employee and employer contribution funds.

c) Retirement benefits

Contributors are entitled to benefits without any actuarial reduction at the age of 60, if they have 35 years' pensionable service.

Contributors are entitled to pension benefits without any actuarial reduction at the age of 55.

The pension is obtained by multiplying the average pensionable salary for the five best-paid years by 2% per year of service. It can be added to pension credits granted following the redemption of past service or the transfer of funds from supplemental pension plans and additional benefits resulting from the revaluations of certain years of service. The pension is reduced beginning at age 65 in order to coordinate it with that of the Québec Pension Plan.

d) Death benefits

If a contributor or a pensioner aged 55 or over dies, the surviving spouse is entitled to a pension equal to 50% of the pension the deceased was receiving or would have received, or to 60% of such a pension if the deceased had chosen to receive a pension reduced by 2%. In the case where there is no surviving spouse, contributions, plus interest, are refunded to the heirs.

If a contributor dies before the eligible retirement age of 55, the surviving spouse or heirs is or are entitled to the refund of contributions, plus interest, if the deceased had fewer than two years' pensionable service. If the deceased had more than two years' pensionable service, the surviving spouse or assigns is or are entitled to the refund of contributions, plus interest, or to the actuarial value of the deferred indexed pension, whichever is higher.

e) Severance benefits

Persons who cease to contribute to the plan before being eligible to receive an immediate pension are entitled to the refund of contributions, plus interest, if they have fewer than two years' pensionable service and are under 55; otherwise they are entitled to a deferred indexed pension payable at age 65, or may request that the total contributions paid into the plan, plus interest, or the actuarial value of the deferred indexed pension, whichever is higher, be transferred to a locked-in retirement account (LIRA).

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

GOVERNMENT AND PUBLIC EMPLOYEES RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

1. DESCRIPTION OF THE PLAN (cont'd)

f) Indexation of benefits

Pension benefits under this plan are fully indexed to the cost of living increase for that portion of the pension which corresponds to vested service prior to July 1, 1982, and are partially indexed for that portion of the pension which corresponds to vested service after June 30, 1982.

2. ACCOUNTING POLICIES

These financial statements were prepared by management in accordance with the accounting principles that are generally accepted in Canada. They include amounts based on best estimates and judgements.

Employee and employer contributions

Adjustments to employee and employer contributions are recorded when the amounts are determined.

Year-to-date financial data

These statements combine financial data for the following three funds:

- Employee contributions fund;
- Employer contributions fund;
- Supplemental pension plan fund.

Funds entrusted to the Caisse de dépôt et placement du Québec

Participation deposits in individual funds of the Caisse de dépôt et placement du Québec are recorded at fair value, which is established on the basis of the market value of units, as determined by the Caisse de dépôt et placement du Québec.

The investments of these individual funds are composed primarily of participating units in individual Caisse de dépôt et placement du Québec portfolios. The net gains on the sale of investments earned by these individual portfolios, which are not distributed to individual funds, are included in the net assets of individual portfolios. These revenues are taken into account when calculating the rate of return established by regulation and are added to the cost of participation deposits.

3. CAPITALIZATION POLICY

In keeping with section 174 of the Act respecting the Government and Public Employees Retirement Plan, CARRA actuaries must conduct an actuarial valuation of the plan every three years. The goal of this valuation is to determine the employee contribution rate based on the value of the pension fund set up and benefits to be paid out.

This valuation is based on assumptions established by CARRA actuaries and deemed appropriate by the consulting actuary appointed by the retirement committee under the Act. Moreover, the parties have agreed to use the overall attained-age actuarial cost method, free of assets.

The employee contribution and the contribution of independent employers for the fiscal year are established using a rate of 5.35% of the excess eligible earnings over 35% of maximum pensionable earnings within the meaning of the Act respecting the Québec Pension Plan (R.S.Q., c. R-9). The contribution rate was established based on the actuarial valuation conducted using data as at December 31, 1996 and reflects the changes made to the plan since its publication in October 1998. This rate corresponds to 3.55% of the pensionable earnings.

In November 2001, CARRA actuaries submitted an actuarial valuation based using data as at December 31, 1999, thus updating the previous valuation. According to this valuation, the contribution rate could be established at 2.19% as of 2002, or 1.46% of eligible earnings. However, the parties agreed to maintain the current rate of 5.35% for 2002 and to discuss the rate applicable as of January 1, 2003.

3. CAPITALIZATION POLICY (cont'd)

The Act respecting the Government and Public Employees Retirement Plan does not oblige the Government to contribute to a pension fund. However, the Government's commitments to fund regular service are presented in Note 6. They are calculated as the fund it would have created, had its contributions, established on the same bases as those for contributors and according to the above-mentioned actuarial valuation, been deposited in a pension fund.

Employee contributions and the contribution of independent employers are deposited respectively in the employee contributions fund and employer contributions funds with the Caisse de dépôt et placement du Québec.

The amounts needed to pay benefits for regular service performed since July 1, 1982 are also taken from the employee and employer contribution funds. The amounts required for service performed prior to July 1, 1982 are taken in a proportion of 5/12 from the employee contributions fund and 7/12 from the employer contributions fund. When the employer contributions fund with the Caisse de dépôt et placement du Québec is empty, the remaining amounts required to pay the share of benefits assumed by the Government are taken from the Consolidated Revenue Fund, as prescribed in the Act. The same conditions apply to payment of benefits related to pension credits acquired by buy-outs payable to Government and Public Employees Retirement Plan and Pension Plan of Management Personnel beneficiaries.

The amounts needed to pay the additional benefits resulting from the revaluation of certain years of service entitling contributors to pension credits are taken from the employees contribution fund and the Government commits to paying into this fund the amounts needed to assume the value of benefits exceeding $680 million.

The amounts needed to pay benefits for pension credits acquired through the transfer of supplemental pension plans for Government and Public Employees Retirement Plan and Pension Plan of Management Personnel beneficiaries are taken from the Supplemental Pension Plan Fund in which they had been deposited when the transfers occurred.

The amounts needed to pay all benefits for service transferred from the TPP and the CSSP are taken from the Consolidated Revenue Fund.

Amounts deposited in the Consolidated Revenue Fund

Under Order-in-Council 987-99, employee contributions of senior officials and those of their employees are deposited into the Consolidated Revenue Fund. The amounts needed for the payment of benefits are also taken from the Consolidated Revenue Fund. As of January 1, 2001, provisions specific to the Pension Plan for Senior Officials are transferred to the Pension Plan of Management Personnel.

4. FUNDS ENTRUSTED TO THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

	2001				2000
	Employee contributions fund	Employer contributions fund	SPP fund *	Total	Total
Participation deposits in individual funds – at fair value (cost 2001: $33 664 588; 2000: $37 164 448)	29 370 254		407 890	29 778 144	36 165 614
Demand deposits in the General Fund (advances)		13 224	(4 897)	8 327	64 421
Revenue receivable from individual funds	196 282		2 745	199 027	227 255
	29 566 536	13 224	405 738	29 985 498	36 457 290

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

GOVERNMENT AND PUBLIC EMPLOYEES RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

4. FUNDS ENTRUSTED TO THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC (cont'd)

	2001				2000
	Employee contributions fund	Employer contributions fund	SPP fund *	Total	Total
Cumulated gains realised but not yet distributed by individual portfolios, included in the cost of participation deposits				6 211 567	7 593 463

* Supplemental pension plans

5. ASSETS AVAILABLE FOR BENEFITS

	2001			2000
	Employee contributions	Employer contributions	Total	Total
Regular service	29 313 554	51 316	29 364 870	35 837 736
Transferred service		272	272	(320)
Pension credits acquired by buy-outs	221 113		221 113	238 491
Supplemental pension plans	405 134		405 134	446 340
	29 939 801	51 588	29 991 389	36 522 247

6. GOVERNMENT COMMITMENTS VIS-À-VIS THE PLAN

Liability recorded in the Government's financial statements

Since the Government has not created a pension fund for this plan, it records, as a liability in the financial statements, an amount established based on the value of benefits promised for which it is responsible, in keeping with generally recognised accounting policies applicable to the public sector in Canada. Under the Act respecting the Government and Public Employees Retirement Plan, the Government's share corresponds to 58.33% (7/12) of these benefits for years of service prior to July 1, 1982, 50% for years of service as of July 1, 1982 for regular service and 100% for transferred service. The amount recorded corresponds to the accumulation of the pension costs and interest over obligations, minus benefits paid.

The pension costs for the plan correspond to the sum of the cost of accrued benefits, changes to this plan during the year and the amortisation of adjustments for estimates resulting from actuarial gains or losses.

The cost of accrued benefits is evaluated according to the projected benefit method prorated on service and the most probable assumptions determined by the Government.

6. GOVERNMENT COMMITMENTS VIS-À-VIS THE PLAN (cont'd)

Change in the liability recorded in the Government's financial statements

	2001	2000
For regular service		
Liability recorded in the Government's financial statements as at March 31 of the previous fiscal year	18 539 654	17 060 586
Increase		
Contributions enacted	22 346	1 991
Pension costs		
Current service	935 235	734 563
Past service	58 267	115 883
Interest	1 225 984	1 181 873
Transfer of contributions to the Consolidated Revenue Fund		25 094
	2 241 832	2 059 404
Decrease		
Benefits and administrative expenses paid by the Gouvernement du Québec	644 988	571 591
Inter-plan transfers for past service	4 588	8 745
	649 576	580 336
Increase before the following item	1 592 256	1 479 068
Transfer to Pension Plan of Management Personnel (Note 9)	(3 104 687)	
Net (decrease) increase	(1 512 431)	1 479 068
Liability recorded in the Government's financial statements as at March 31 of the current fiscal year	17 027 223	18 539 654
Estimated liability recorded as at December 31	18 242 731	20 406 448
For transferred service		
Liability recorded in the Government's financial statements as at March 31 of the current fiscal year	2 221 375	2 514 324
Estimated liability recorded as at December 31	2 260 013	2 563 058

The Financial Administration Act (R.S.Q., c. A-6) authorizes the Minister of Finance to create a sinking fund with the Caisse de dépôt et placement du Québec to provide for payment of part or all Government retirement plan benefits. The Government may invest amounts in this fund to a maximum of the amount recorded as a liability in its financial statements under retirement plans, before deduction of the balance of this fund ($46 170 billion as at March 31, 2001). At December 31, 2001, the fair value of the funds entrusted to the Caisse de dépôt et placement du Québec for this purpose was $8 978 billion, $3 529 billion of which is slated for the plan.

6. GOVERNMENT COMMITMENTS VIS-À-VIS THE PLAN (cont'd)

Financing regular service

In keeping with the Act respecting the Government and Public Employees Retirement Plan, CARRA actuaries conduct an actuarial valuation every three years with respect to financing the regular service. In this valuation, the actuaries take legislative provisions and collective agreements into account by using the valuation method the parties agree to and determine the employee and employer contribution rates and the Government contribution. Consequently, from the beginning of the plan, CARRA has presented the Government's commitments to financing regular service as the fund it would have created, had these contributions, established on the same bases as those used to determine the employee fund, been deposited in a pension fund. However, the Act does not oblige the Government to contribute to the plan. The fair value of this fund was estimated at $31 404 billion as at December 31, 2001.

However, in its consolidated financial statements for the year ended as at March 31, 2001, the Government does not recognize having commitments to the plan on the basis of sharing the annual contribution for financing. According to its interpretation of the legislative provisions of the plan, the Government's commitment vis-à-vis regular service must be determined based on the value of the benefits promised, for which it is responsible, in keeping with the recommendations of the Canadian Institute of Chartered Accountants. Consequently, since March 31, 1998, the pre-recorded contribution representing the difference between the fund the Government would have created, had it paid its contributions and the liability recorded in the Government's financial statements is no longer presented in the notes to the financial statements. However, these notes contain information concerning the various actuarial valuations. The auditor general of Québec issued a restriction in his report, to the effect that the Government does not clearly acknowledge having made commitments to finance the plan, while recognizing that its financial statements correctly present the liability, net debt and surplus for the fiscal year ended on March 31, 2001.

For the year, the Government's contribution for regular service corresponds to 3.12% of the pensionable earnings of unionizable contributors. This contribution was established based on the actuarial valuation conducted on the basis of data as at December 31, 1996 and published in October 1998 and reflects the changes made to the Plan since its publication. For pension credits acquired by buy-outs, the Government contribution corresponds to 140% of that of employees.

In November 2001, CARRA actuaries submitted an actuarial valuation using data as at December 31, 1999, thereby updating the previous valuation. According to this valuation, the Government contribution could be 0.90% of eligible earnings. Since, for 2002, the parties agreed to maintain the employee contribution rate at 5.35%, it is taken for granted that the Government contribution is also maintained at its current level of 3.12%.

The interest credited to this fund and the unrealized loss are calculated based on the annual rate of return of the funds of the plan entrusted to the Caisse de dépôt et placement du Québec.

Change in the fund the Government would have created (at fair value)

	2001	2000
Opening balance	38 581 470	36 483 941
Increase		
Gouvernement du Québec contributions	429 199	432 540
Interest	1 525 120	6 904 957
	40 535 789	43 821 438
Decrease		
Payments received – benefits and administrative expenses paid by the Gouvernement du Québec	577 696	670 077
Inter-plan transfers for past service	106 596	4 498
Unrealized loss	3 242 181	4 565 393
Transfer to Pension Plan of Management Personnel (Note 9)	5 205 023	
Closing balance	31 404 293	38 581 470

The equivalent cost value was $35 651 608 000 at December 31, 2001 ($39 722 914 000 at December 31, 2000).

7. PENSION OBLIGATIONS

In keeping with the accounting principles that are generally accepted in Canada, pension obligations were determined according to the projected benefit method prorated on service and the most probable assumptions in the opinion of the plan administrator. These obligations represent the value of benefits attributable to the accumulated years of service at the date of valuation.

For regular service and pension credits acquired by buy-out, the assumptions used by CARRA are those deemed probable by its actuaries in the actuarial valuation prepared using data as at December 31, 1999 and presented to the retirement committee on November 7, 2001. The most probable real rate of return of 4.75% was used to valuate benefit obligations for regular service.

However, the real rate of return used to determine the contribution rates was reduced to 4.25% to protect contributors against the effect of unfavourable variances on their contributions rates.

For service transferred from the TPP, CSSP and supplemental pension plans, the assumptions used by CARRA are those deemed probable by its actuaries in the actuarial valuation prepared using data as at December 31, 1996 and presented to the retirement committee on October 15, 1998.

CARRA actuaries established the actuarial value of accrued benefits at $32 928 881 000 at December 31, 1999 for regular service and pension credits acquired by buy-out, and at $2 500 909 000 at December 31, 1996 for service transferred from the TPP, CSSP and supplemental pension plans and estimated it at $42 089 409 000 at December 31, 2001. These values take the 1997 voluntary departure program into account.

	2001			2000
	Employees	Employers	Total	Total
Regular service	19 213 307	19 728 110	38 941 417	41 450 068
Transferred service		2 449 236	2 449 236	3 465 430
Pension credits acquired by buy-out	155 802	218 123	373 925	375 363
Supplemental pension plans	324 831		324 831	316 616
	19 693 940	22 395 469	42 089 409	45 607 477

Change in accrued pension obligations

	2001	2000
Actuarial present value of accrued pension benefits - beginning of year	45 607 477	39 950 596
Increase		
Actuarial loss	1 043 782	
Interest	2 821 764	2 768 068
Benefits accrued	1 739 734	1 968 570
Changes to the plan	(280)	2 371 790
	5 605 000	7 108 428
Decrease		
Changes in actuarial assumptions	480 411	
Benefits paid	1 303 112	1 441 768
Inter-plan transfers	10 989	9 779
	1 794 512	1 451 547
Increase before the following item	3 810 488	5 656 881
Transfer to the Pension Plan of Management Personnel (Note 9)	(7 328 556)	
Net (decrease) increase for the year	(3 518 068)	5 656 881
Actuarial present value of accrued pension benefits - end of year	42 089 409	45 607 477

7. PENSION OBLIGATIONS (cont'd)

Significant economic assumptions

The assumptions used in determining the actuarial present value of accrued pension benefits were:

	Valuation for accounting purpose		Valuation for funding purpose	
Actuarial valuations at December 31	1999	1996	1999	1996
Inflation	4.00 %	4.50 %	2.75 %	2.65 %
Rate of return net of inflation	4.75	4.50	4.75	4.50
Salary escalation rate net of inflation	1.25	1.50	0.60	0.45

The medium-term rates represent the average rates for 2000 - 2010 for actuarial valuations at December 31, 1999 and for 1997 - 2007 for actuarial valuations at December 31, 1996. Long-term rates represent the rates used as of 2011 for actuarial valuations at December 31, 1999 and 2008 for actuarial valuations as December 31, 1996.

Employee obligations for capitalization purposes

Employee contributions paid into the pension fund to finance the benefits for which they are responsible are determined using different actuarial methods and assumptions than those required according to generally accepted accounting principles in Canada for presenting the actuarial obligation in the financial statements.

In fact, since the creation of the plan, the method used by parties of interest to determine employee contribution rates is the overall attained-age actuarial cost method, free of assets. According to this method, employee contributions are adjusted based on the assets created so as to ensure future payment of the portion of the benefits for which they are responsible, both for service up to the date of valuation and service after this date by contributors who were employed on the date of valuation. Consequently, the value of actuarial obligations corresponds to the value of the assets created and there can be no deficit or surplus assets.

For capitalization purposes, the value of actuarial obligations for which contributors are responsible with respect to regular service was $29 053 382 000 as at December 31, 1999 and $29 313 554 000 as at December 31, 2001, which corresponds to the market value of the employee fund as at each of these dates.

8. REVENUE FROM FUNDS ENTRUSTED TO THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

	2001				2000
	Employee contributions fund	Employer contributions fund	SPP fund *	Total	Total
Net investment income from individual funds	1 266 486		17 929	1 284 415	1 565 709
Interest on demand deposits in the General Fund	187	275	1	463	1 195
	1 266 673	275	17 930	1 284 878	1 566 904

8. REVENUE FROM FUNDS ENTRUSTED TO THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC (cont'd)

	2001				2000
	Employee contributions fund	Employer contributions fund	SPP fund *	Total	Total
Change in fair value					
Gains from the sale of investments	547 292		7 721	555 013	1 975 021
(Losses) gains realized but not yet distributed in the individual portfolios	(386 530)		(5 491)	(392 021)	2 961 275
Unrealized losses	(2 967 978)		(40 842)	(3 008 820)	(4 200 505)
	(2 807 216)		(38 612)	(2 845 828)	735 791

* Supplemental pension plans.

9. TRANSFER TO THE PENSION PLAN OF MANAGEMENT PERSONNEL

Assented to on June 21, 2001, virtually all of the provisions of the Act creating the Pension Plan of Management Personnel in the public and parapublic sectors came into effect retroactively on January 1, 2001. As a rule, this plan applies to ununionizable employees appointed or hired as of January 1, 2001 or who contributed to the Plan at December 31, 2000.

The Act makes provisions for establishment of an employee contributions fund with the Caisse de dépôt et placement du Québec, which ensure the continuity of the contribution fund of ununionizable employees of the Government and Public Employees Retirement Plan. The transfer to the Pension Plan of Management Personnel represents the fair value of the net assets available for benefit service at December 31, 2000, which is attributable to ununionizable employees and which includes the balance of the employer contributions fund.

The Government's commitments to the Plan, benefit obligations and the liability posted to the Government's financial statements as at December 31, 2000, attributable to ununionizable employees were also transferred to the Pension Plan of Management Personnel.

10. COMPARATIVE FIGURES

The comparative figures for 2000 include financial data for the ununionizable employees transferred to the PPMP at January 1, 2001.

Some 2000 figures were adjusted to comply with the presentation adopted in 2001.

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

GOVERNMENT AND PUBLIC EMPLOYEES RETIREMENT PLAN

ACTUARIAL VALUATION

The Commission's actuaries carried out an actuarial valuation of the Government and Public Employees Retirement Plan regarding regular service according to contributors' profiles as at December 31, 1999 in order to determine the value of the obligations resulting from the Plan to be recorded in the financial statements. The valuation reveals that, at that date, this value was $32 084 118 000.

Moreover, the latter estimated the actuarial value of additional benefits resulting form the revaluation of years of service entitling employees to pension credits acquired at December 31, 1999. This estimate was carried out according to contributors' profiles as at December 31, 1999 in order to determine the value of the obligations resulting from the Plan to be recorded in the financial statements. It reveals that, at that date, this value to $494 861 000.

ACTUARIAL OPINION INTEGRAL TO THE ACTUARIAL VALUATION REPORT FOR THE GOVERNMENT AND PUBLIC EMPLOYEES RETIREMENT PLAN AT DECEMBER 31, 1999, CARRIED OUT FOR THE PURPOSE OF PRESENTING THE VALUE OF OBLIGATIONS RESULTING FROM THE PLAN IN THE FINANCIAL STATEMENTS

In our opinion,

- the data on which this valuation is based are adequate and reliable;
- the actuarial assumptions used in this valuation are appropriate and reasonable in the current context;
- the results of this valuation were arrived at in keeping with the requirements of Section 4100 of the CICA (Canadian Institute of Chartered Accounts) Handbook.

We have carried out this valuation and expressed this opinion in keeping with recognized actuarial practices.

Denis Leclerc, FICA, FSA
Director, Actuarial Service and Development

Daniel Cantin, FICA, FSA
Actuary

André Simard, FICA, FSA
Actuary

Québec, March 22, 2002

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

GOVERNMENT AND PUBLIC EMPLOYEES RETIREMENT PLAN

ACTUARIAL VALUATION

The Commission's actuaries carried out an actuarial valuation of the Government and Public Employees Retirement Plan regarding pension credits acquired by buy-out for past service according to contributors' profiles as at December 31, 1999 in order to determine the value of the obligations resulting from the Plan to be recorded in the financial statements. The valuation reveals that, at that date, this value was $349 902 000.

ACTUARIAL OPINION INTEGRAL TO THE ACTUARIAL VALUATION REPORT FOR THE GOVERNMENT AND PUBLIC EMPLOYEES RETIREMENT PLAN AT DECEMBER 31, 1999, CARRIED OUT FOR PENSION CREDITS ACQUIRED BY BUY-OUT OF PAST SERVICE AND FOR THE PURPOSE OF PRESENTING THE VALUE OF OBLIGATIONS RESULTING FROM THE PLAN IN THE FINANCIAL STATEMENTS

In our opinion,

- the data on which this valuation is based are adequate and reliable;
- the actuarial assumptions used in this valuation are appropriate and reasonable in the current context;
- the results of this valuation were arrived at in keeping with the requirements of Section 4100 of the CICA (Canadian Institute of Chartered Accounts) Handbook.

We have carried out this valuation and expressed this opinion in keeping with recognized actuarial practices.

Denis Leclerc, FICA, FSA
Director, Actuarial Service and Development

Jean Dessureault, FICA, FSA
Actuary

André Simard, FICA, FSA
Actuary

Québec, March 28, 2002

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

GOVERNMENT AND PUBLIC EMPLOYEES RETIREMENT PLAN

ACTUARIAL VALUATION

The Commission's actuaries carried out an actuarial valuation of the Government and Public Employees Retirement Plan regarding service transferred from the Teachers Pension Plan and the Civil Service Superannuation Plan and regarding pension credits awarded certain retired social affairs sector employees according to contributors' profiles as at December 31, 1996 in order to determine the value of the obligations resulting from the Plan to be recorded in the financial statements and takes into account the 1997 voluntary departures program. The valuation reveals that, at that date, this value was $2 646 505 000, $2 324 895 000 of which was for unionizable employees.

ACTUARIAL OPINION INTEGRAL TO THE ACTUARIAL VALUATION REPORT FOR SERVICE TRANSFERRED FROM THE CIVIL SERVICE SUPERANNUATION PLAN AND THE TEACHERS PENSION PLAN TO THE GOVERNMENT AND PUBLIC EMPLOYEES RETIREMENT PLAN AND THE PENSION PLAN OF MANAGEMENT PERSONNEL AND PENSION CREDITS AWARDED CERTAIN RETIRED SOCIAL AFFAIRS SECTOR EMPLOYEES AS AT DECEMBER 31, 1996

In our opinion, in the context of the valuation carried out in order to determine the value of the actuarial liability posted to the Plan's financial statements,

- the data on which this valuation is based are adequate and reliable;
- the actuarial assumptions used in this valuation are appropriate and reasonable in the current context;
- the results of this valuation were arrived at in keeping with the requirements of Section 4100 of the CICA (Canadian Institute of Chartered Accounts) Handbook.

We have carried out this valuation and expressed this opinion in keeping with recognized actuarial practices.

Denis Leclerc, FICA, FSA
Director, Actuarial Service and Development

André Simard, FICA, FSA
Actuary

Québec, April 30. 1999

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

GOVERNMENT AND PUBLIC EMPLOYEES RETIREMENT PLAN

ACTUARIAL VALUATION

The Commission's actuaries carried out an actuarial valuation of the Government and Public Employees Retirement Plan regarding pension credits acquired following the transfer of the supplemental pension plans to the Plan according to contributors' profiles as at December 31, 1996 in order to determine the value of the obligations resulting from the Plan to be recorded in the financial statements and takes into account the 1997 voluntary departures program. The valuation reveals that, at that date, this value was $176 014 000.

ACTUARIAL OPINION INTEGRAL TO THE ACTUARIAL VALUATION REPORT FOR PENSION CREDITS ACQUIRED FOLLOWING THE TRANSFER OF THE SUUPLEMENTAL PENSION PLANS TO THE GOERNMENT AND PUBLIC EMPLOYEES RETIREMENT PLAN AS AT DECEMBER 31, 1996

In our opinion, in the context of the valuation carried out in order to determine the value of the actuarial liability posted to the Plan's financial statements,

- the data on which this valuation is based are adequate and reliable;
- the actuarial assumptions used in this valuation are appropriate and reasonable in the current context;
- the results of this valuation were arrived at in keeping with the requirements of Section 4100 of the CICA (Canadian Institute of Chartered Accounts) Handbook.

We have carried out this valuation and expressed this opinion in keeping with recognized actuarial practices.

Denis Leclerc, FICA, FSA
Director, Actuarial Service and Development

André Simard, FICA, FSA
Actuary

Québec, November 10, 1999

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

GOVERNMENT AND PUBLIC EMPLOYEES RETIREMENT PLAN

AUDITOR'S REPORT

To the National Assembly

I have audited the statement of net assets available for benefits of the Government and Public Employees Retirement Plan as at December 31, 2001 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of Commission management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

Apart from what is disclosed in the following paragraph, my audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

As indicated in Note 7, the amount of the benefit obligations for service transferred from the Teachers Pension Plan, the Civil Service Superannuation Plan and the supplemental pension plan, valuated respectively at $2 449 236 000 and $324 831 000 as at December 31, 2001 result from the projection of the actuarial value of benefits as at December 31, 1996. In the absence of more recent actuarial valuations than those of December 31, 1996 and the fact that elements that might affected benefit obligations as at December 31, 2001 were not revised, I was unable to determine whether adjustments should have been made to these amounts at that date.

In my opinion, apart from adjustments that might be required to amount of benefit obligations as at December 31, 2001 mentioned in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of this plan as at December 31, 2001, and the changes in this position for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, April 12, 2002

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES
(R.S.Q., c. R-10)
PENSION PLANS OF MANAGEMENT PERSONNEL
(S.Q. 2001, c.31)
NET ASSETS AVAILABLE FOR BENEFITS
as at December 31, 2001
(in thousands of dollars)

	2001 (Notes 1 and 9)
ASSETS	
Funds entrusted to the Caisse de dépôt et placement du Québec (Note 4)	
Employee contributions fund	4 554 625
Employer contributions fund	(3 307)
	4 551 318
Accounts receivable	
Employee contributions	2 188
Employer contributions	211
Amounts receivable from the Gouvernement du Québec	49 432
Amounts receivable – transfers	556
	52 387
Cash on hand	50
	4 603 755
LIABILITIES	
Contribution refunds and pensions payable	8 659
Excess employee contributions to be refunded	2 284
Administrative expenses payable	634
	11 577
NET ASSETS AVAILABLE FOR BENEFITS (Notes 5, 7 and 9)	4 592 178

GOVERNMENT COMMITMENTS VIS-À-VIS THE PLAN (Note 6)

Luc Bessette
Chairman of the Commission

Michel Lagueux
Assistant Vice-Chairman

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLANS OF MANAGEMENT PERSONNEL

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
for the year ended December 31, 2001
(in thousands of dollars)

	2001 (Notes 1 and 9)
INCREASE IN ASSETS	
Transfer of net assets from the Government and Public Employees Retirement Plan (Note 9)	4 832 245
Employee contributions, including contributions for past service	17 672
Transfer of contributions cumulated by those targeted from the Government and Public Employees Retirement Plan, including interest	92 903
Contributions of independent employers	3 912
Revenue from funds entrusted to the Caisse de dépôt et placement du Québec (Note 8)	196 042
Change in the fair value of funds entrusted to the Caisse de dépôt et placement du Québec (Note 8)	(448 605)
Interest income	132
	(137 944)
Amounts received or receivable from the Gouvernement du Québec	
Regular service	151 102
Transferred service	23 223
	174 325
	4 868 626
DECREASE IN NET ASSETS	
Benefits paid	
Pensions (Note 10)	237 422
Contribution refunds, including interest	8 817
Transfers, including interest	13 934
Administrative expenses	2 773
	262 946
Amounts deposited in the Consolidated Revenue Fund (Note 3)	13 502
	276 448
NET INCREASE FOR THE YEAR AND NET ASSETS AVAILABLE FOR BENEFITS – END OF YEAR	4 592 178

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLANS OF MANAGEMENT PERSONNEL

NOTES TO FINANCIAL STATEMENTS
December 31, 2001
(in thousands of dollars)

1. DESCRIPTION OF THE PLANS

Pension Plan of Management Personnel

The Pension Plan of Management Personnel (PPMP) came into effect on January 1, 2001 following the adoption of the Act respecting the Pension Plan of Management Personnel. The latter consolidates the dissociation of unionizable and ununionizable public and parapublic sector employees who contributed to the Government and Public Employees Retirement Plan until December 31, 2000 from this plan.

The following description of the PPMP is given for information purposes only. For more complete information concerning this plan, please consult the Act respecting the Pension Plan of Management Personnel (Q.S. 2001, c. 31).

a) General information

The PPMP is administered by the Commission administrative des régimes de retraite et d'assurances (CARRA). It is a defined-benefit pension plan offered to ununionizable public and parapublic sector employees appointed or hired on or after January 1, 2001.

The PPMP also applies ununionizable public and parapublic sector employees appointed or hired before January 1, 2001 who contributed to the RREGOP at December 31, 2000.

The funding, pensions and benefits described below may differ for certain classes of employees determined by the Government, including senior officials.

b) Funding

Benefits for regular service are funded by contributors and the Government and other employers in the following proportions: 5/12 and 7/12 for service prior to July 1, 1982, and equal shares for service after to this date. However, additional benefits resulting from the revaluation of certain years of service entitling employees to pension credits are financed by contributors to a maximum of $172 million and the remainder is assumed by the Government.

Benefits for service transferred from the Teachers Pension Plan (TPP) and the Civil Service Superannuation Plan (CSSP) are funded by the Government.

Administrative expenses

Expenses related to the administration of the PPMP are assumed by the plan and are divided equally between the employee and employer contribution funds.

c) Retirement benefits

Contributors are entitled to benefits without any actuarial reduction at age 60, if they have 35 years' pensionable service, or if they are 55 and their age and years of service total 88.

Contributors are entitled to pension benefits without any actuarial reduction at the age of 55.

The pension is obtained by multiplying the average pensionable salary for the three best-paid years by 2% per year of service. It can be added to pension credits granted following the redemption of past service or the transfer of funds from supplemental pension plans and additional benefits resulting from the revaluation of certain years of service. The pension is reduced beginning at age 65 in order to coordinate it with that of the Québec Pension Plan.

d) Death benefits

If a contributor or a pensioner aged 55 or over dies, the surviving spouse is entitled to a pension equal to 50% of the pension the deceased was receiving or would have received, or to 60% of such a pension if the deceased had chosen to receive a pension reduced by 2%. In the case where there is no surviving spouse, contributions, plus interest, are refunded to the heirs.

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLANS OF MANAGEMENT PERSONNEL

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

1. DESCRIPTION OF THE PLANS (cont'd)

d) Death benefits (cont'd)

If a contributor dies before the eligible retirement age of 55, the surviving spouse or heirs is or are entitled to the refund of contributions, plus interest, if the deceased had fewer than two years' pensionable service. If the deceased had more than two years' pensionable service, the surviving spouse or assigns is or are entitled to the refund of contributions, plus interest, or to the actuarial value of the deferred indexed pension, whichever is higher.

e) Severance benefits

Persons who cease to contribute to the PPMP before being eligible to receive an immediate pension are entitled to the refund of contributions, plus interest, if they have fewer than two years' pensionable service and are under 55; otherwise they are entitled to a deferred indexed pension payable at age 65, or may request that the total contributions paid into the PPMP, plus interest, or the actuarial value of the deferred indexed pension, whichever is higher, be transferred to a locked-in retirement account (LIRA).

f) Indexation of benefits

Pension benefits under the PPMP are fully indexed to the cost of living increase for that portion of the pension which corresponds to vested service prior to July 1, 1982, and are partially indexed for that portion of the pension which corresponds to vested service after June 30, 1982.

Supplementary Pension Plan for Senior Officials

In keeping with section 208 of the Act respecting the Pension Plan of Management Personnel, the Government established the Supplementary Pension Plan for Senior Officials by Order-in-Council 461-92. This is a defined-benefit plan offered certain senior officials eligible for benefits under the Act respecting the Pension Plan of Management Personnel. This plan makes provision for additional benefits at the base amount determined in keeping with the act. The benefits paid out under this plan are funded by the Government.

2. ACCOUNTING POLICIES

These financial statements were prepared by management in accordance with the accounting principles that are generally accepted in Canada. They include amounts based on best estimates and judgements.

Employee and employer contributions

Adjustments to employee and employer contributions are recorded when the amounts are determined.

Funds entrusted to the Caisse de dépôt et placement du Québec

Participation deposits in individual funds of the Caisse de dépôt et placement du Québec are recorded at fair value, which is established on the basis of the market value of units, as determined by the Caisse de dépôt et placement du Québec.

The investments of these individual funds are composed primarily of participating units in individual Caisse de dépôt et placement du Québec portfolios. The net gains on the sale of investments earned by these individual portfolios, which are not distributed to individual funds, are included in the net assets of individual portfolios. These revenues are taken into account when calculating the rate of return established by regulation and are added to the cost of participation deposits.

3. CAPITALIZATION POLICY

In keeping with section 171 of the Act respecting the Pension Plan of Management Personnel, CARRA actuaries must conduct an actuarial valuation of the PPMP every three years. The goal of this valuation is to determine the employee contribution rate based on the value of the pension fund set up and benefits to be paid out.

This valuation is based on assumptions established by CARRA actuaries and deemed appropriate by the consulting actuary appointed by the retirement committee under the Act respecting the Pension Plan of Management Personnel. Moreover, the parties have agreed to use the overall attained-age actuarial cost method, free of assets.

3. CAPITALIZATION POLICY (cont'd)

The employee contribution and the contribution of independent employers for the fiscal year are established using a rate of 1% of the excess eligible earnings over 35% of maximum pensionable earnings within the meaning of the Act respecting the Québec Pension Plan (R.S.Q., c. R-9). This rate corresponds to 0.79% of pensionable earnings. However, the contribution rate, which is established according to the actuarial valuation carried out, in keeping with section 174 of the act respecting the Government and Public Employees Retirement Plan, for ununionizable employees according to data as at December 31, 1996 and which reflects amendments to the PPMP since its publication in October, is 4.5%. This rate corresponds to 3.55% of the pensionable earnings.

Under the Act respecting the Pension Plan of Management Personnel, the rate applicable in 2000 and 2001 is 1% and the 4.5% rate becomes applicable as of 2002.

In November 2001, CARRA actuaries submitted an actuarial valuation based using data as at December 31, 1999, thus updating the previous valuation. According to this valuation, participants need not contribute to the PPMP for at least the next three years. However, since the parties do not agree on the basis of this actuarial valuation, the contribution rate for 2002 is 4.5%.

For TPP and CSSP participants who, in 2000, chose to contribute to the PPMP, the contribution rate in increased by 4.0% without exceeding the rate of the original plans. For 2001, it was 5.0%. For 2002, this rate is 7.25% for management personnel from the CSSP and 8.08% for management personnel from the TPP.

The Act respecting the Pension Plan of Management Personnel does not oblige the Government to contribute to a pension fund. However, the Government's commitments to fund regular service are presented in Note 6. They are calculated as the fund it would have created, had its contributions, established on the same bases as those used for participants and according to the above-mentioned actuarial valuation, been deposited in a pension fund.

Employee contributions and the contribution of independent employers are deposited respectively in the employee contributions fund and employer contributions funds with the Caisse de dépôt et placement du Québec.

The amounts needed to pay benefits for regular service performed since July 1, 1982 are also taken from the employee and employer contribution funds. The amounts required for service performed prior to July 1, 1982 are taken in a proportion of 5/12 from the employee contributions fund and 7/12 from the employer contributions fund. When the employer contributions fund with the Caisse de dépôt et placement du Québec is empty, the remaining amounts required to pay the share of benefits assumed by the Government are taken from the Consolidated Revenue Fund, as prescribed in the Act respecting the Pension Plan of Management Personnel.

The amounts needed to pay the additional benefits resulting from the revaluation of certain years of service entitling contributors to pension credits are taken from the employees contribution fund and the Government commits to paying into this fund the amounts needed to assume the value of benefits exceeding $172 million.

Under the Act respecting the Government and Public Employees Retirement Plan, the benefits for pension credits acquired by buy-out or transfer from supplemental pension plans are taken from the respective RREGOP funds.

The amounts required to pay all benefits for service transferred from the TPP and the CSSP are taken from the Consolidated Revenue Fund.

Amounts deposited in the Consolidated Revenue Fund

Under Order-in-Council 987-99, employee contributions from senior officials and those of their employees are deposited into the Consolidated Revenue Fund. The amounts needed for the payment of benefits are also taken from the Consolidated Revenue Fund.

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLANS OF MANAGEMENT PERSONNEL

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

4. FUNDS ENTRUSTED TO THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

	2001		
	Employee contributions fund	Employer contributions fund	Total
Participation deposits in individual funds – at fair value (cost 2001: $5 097 542)	4 539 158		4 539 158
Advances	(8 493)	(3 307)	(11 800)
Revenue receivable from individual funds	23 960		23 960
	4 554 625	(3 307)	4 551 318
Cumulated gains realized, but not yet distributed by individual portfolios, included in the cost of participation deposits			897 428

5. ASSETS AVAILABLE FOR BENEFITS

	2001		
	Employee contributions	Employer contributions	Total
Regular service	4 499 776	92 311	4 592 087
Transferred service		91	91
	4 499 776	92 402	4 592 178

The net assets available for the service of benefits resulting from pension credits acquired by buy-out or transfer from supplemental pension plans, as shown in the RREGOP financial statements, were, respectively, $221 113 000 and $405 134 000 as at December 31, 2001 ($238 491 000 and $446 340 000 as at December 31, 2000).

6. GOVERNMENT COMMITMENTS VIS-À-VIS THE PLAN

Liability recorded in the Government's financial statements

Since the Government has not created a pension fund for this plan, it records, as a liability in the financial statements, an amount established based on the value of benefits promised for which it is responsible, in keeping with generally recognized accounting policies applicable to the public sector in Canada. Under the Act respecting the Pension Plan of Management Personnel, the Government's share corresponds to 58.33% (7/12) of these benefits for years of service prior to July 1, 1982, 50% for years of service as of July 1, 1982 for regular service and 100% for transferred service and benefits payable to senior officials. The amount recorded corresponds to the accumulation of the pension costs and interest over obligations, minus benefits paid.

The pension costs for the PPMP correspond to the sum of the cost of accrued benefits, changes to this plan during the year and the amortization of adjustments for estimates resulting from actuarial gains or losses.

The cost of accrued benefits is evaluated according to the projected benefit method prorated on service and the most probable assumptions determined by the Government.

6. GOVERNMENT COMMITMENTS VIS-À-VIS THE PLAN (cont'd)

Change in the liability recorded in the Government's financial statements

	2001
For regular service	
Transfer of liability posted to RREGOP (Note 9)	3 104 687
Period from January 1 to March 31, 2001	
Increase	
Contributions encashed	524
Pension costs	
Current service	41 249
Past service	(402)
Interest	47 366
	88 737
Decrease	
Benefits and administrative expenses paid by the Gouvernement du Québec	67 253
Inter-plan transfers for past service	44
	67 297
Net increase	21 440
Liability recorded in the Government's financial statements as at March 31, 2001	3 126 127
Estimated liability recorded as at December 31	3 400 528
For transferred service	
Liability recorded in the Government's financial statements as at March 31, 2001	980 644
Estimated liability recorded as at December 31	1 019 406

The Financial Administration Act (R.S.Q., c. A-6) authorizes the Minister of Finance to create a sinking fund with the Caisse de dépôt et placement du Québec to provide for payment of part or all Government retirement plan benefits. The Government may invest amounts in this fund to a maximum of the amount recorded as a liability in its financial statements under retirement plans, before deduction of the balance of this fund ($46 170 billion as at March 31, 2001). At December 31, 2001, the fair value of the funds entrusted to the Caisse de dépôt et placement du Québec for this purpose was $8 978 billion, $558 million of which are slated for the PPMP.

6. GOVERNMENT COMMITMENTS VIS-À-VIS THE PLAN (cont'd)

Financing regular service

In keeping with the Act respecting the Pension Plan of Management Personnel, CARRA actuaries conduct an actuarial valuation every three years with respect to financing the regular service. In this valuation, the actuaries take legislative provisions and employment conditions into account by using the valuation method the parties agree to and determine the employee and employer contribution rates and the government contribution. Consequently, CARRA has presented the Government's commitments to financing regular service as the fund it would have created, had these contributions, established on the same bases as those used to determine the employee fund, been deposited in a pension fund. However, the Act does not oblige the Government to contribute to the PPMP. The fair value of this fund is estimated at $4 878 billion as at December 31, 2001. Until December 31, 2000, the total amount the Government constituted for PPMP and RREGOP participants was presented in the RREGOP financial statements.

However, in its consolidated financial statements for the year ended as at March 31, 2001, the Government does not recognize having commitments to the PPMP on the basis of sharing the annual contribution for financing. According to its interpretation of the legislative provisions of the PPMP, the Government's commitment vis-à-vis regular service must be determined based on the value of the benefits promised, for which it is responsible, in keeping with the recommendations of the Canadian Institute of Chartered Accountants. Consequently, since March 31, 1998, the pre-recorded contribution representing the difference between the fund the Government would have created, had it paid its contributions and the liability recorded in the Government's financial statements is no longer presented in the notes to the financial statements. However, these notes contain information concerning the various actuarial valuations. The Auditor General of Québec issued a restriction in his report, to the effect that the Government does not clearly acknowledge having made commitments to finance the plan, while recognizing that its financial statements correctly present the liability, net debt and surplus for the fiscal year ended March 31, 2001.

For the fiscal year, since the employee contribution rate was set at 1%, the Government contribution for regular service corresponds to 0.40% of pensionable earnings. However, the contribution, which is set according to the actuarial valuation carried out using data as at December 31, 1996 and which reflects the changes made to the PPMP since its publication in October 1998, is 1.79% of pensionable earnings.

In November 2001, CARRA actuaries submitted an actuarial valuation based using data as at December 31, 1999, thus updating the previous valuation. According to this valuation, participants need not contribute to the PPMP for at least the next three years. However, since the parties do not agree on the basis of this actuarial valuation, the contribution rate for 2002 is 4.5% as provided for in the Act respecting the Pension Plan for Management Personnel. It is taken for granted that the corresponding Government contribution is 1.79% of pensionable earnings.

The interest credited to this fund and the unrealized loss are calculated based on the annual rate of return of the funds of the PPMP entrusted to the Caisse de dépôt et placement du Québec.

Change in the fund the Government would have created (at fair value)

	2001
Increase	
Transfer from RREGOP (Note 9)	5 205 023
Gouvernement du Québec contributions	4 860
Interest	203 074
Inter-plan transfers for past service	86 448
	5 499 405
Decrease	
Payments received – benefits and administrative expenses paid by the Gouvernement du Québec	140 631
Unrealized loss	480 518
Closing balance	4 878 256

The equivalent cost value was $5 495 030 000 at December 31, 2001.

7. PENSION OBLIGATIONS

In keeping with the accounting principles that are generally accepted in Canada, pension obligations were determined according to the projected benefit method prorated on service and the most probable assumptions in the opinion of the PPMP administrator. These obligations represent the value of benefits attributable to the accumulated years of service at the date of valuation.

The assumptions chosen by CARRA are those deemed most probable by its actuaries in the context of the actuarial valuation carried out using data as at December 31, 1999 and tabled before the retirement committees on November 7, 2001 for regular service. The most likely real rate of return of 4.75% as used to valuate benefit obligations. However, the real rate of return used to determine the contribution rates was reduced to 4.25% to protect contributors against the effect of unfavourable variances on their contribution rates.

For service transferred to the TPP, CSSP and senior officials, the assumptions chosen by CARRA are those deemed most probable by its actuaries in the context of the actuarial valuation carried out using data as at December 31, 1996 and tabled before the retirement committees on October 15, 1998.

CARRA actuaries established the actuarial value of accrued benefits at $5 878 290 000 at December 31, 1999 for regular service and at $577 251 000 at December 31, 1996 for service transferred from the TPP, CSSP and senior officials and estimated it at $8 507 693 at December 31, 2001. These values take the 1997 voluntary departure program into account.

	2001		
	Employee contributions	Employer contributions	Total
Management personnel			
Regular service	3 617 786	3 324 554	6 942 340
Transferred service		1 069 130	1 069 130
	3 617 786	4 393 684	8 011 470
Senior officials		496 223	496 223
	3 617 786	4 889 907	8 507 693

Change in accrued pension obligations

	2001
Increase	
Transfer from RREGOP (Note 9)	7 328 556
Actuarial loss	476 752
Changes in actuarial assumptions	134 744
Interest	567 675
Benefits accrued	262 983
	1 442 154
Decrease	
Benefits paid	263 017
Net increase for the year and actuarial present value of accrued pension benefits - end of year	8 507 693

Benefits obligations resulting from pension credits acquired by buy-out or transfer from supplemental pension plans, as shown in RREGOP financial statements, are, respectively, $373 925 000 and $324 831 000 at December 31, 2001 ($375 363 000 and $316 616 000 at December 31, 2000).

7. PENSION OBLIGATIONS (cont'd)

Significant economic assumptions

The assumptions used in determining the actuarial present value of accrued pension benefits were:

	Valuation for accounting purpose		Valuation for funding purpose	
Actuarial valuations at December 31	1999	1996	1999	1996
Inflation	4.00 %	4.50 %	2.75 %	2.65 %
Rate of return net of inflation	4.75	4.50	4.75	4.50
Salary escalation rate net of inflation	1.25	1.50	0.60	0.45

The medium-term rates represent the average rates for 2000 - 2010 for actuarial valuations at December 31, 1999 and for 1997 - 2007 for actuarial valuations at December 31, 1996. Long-term rates represent the rates used as of 2011 for actuarial valuations at December 31, 1999 and 2008 for actuarial valuations as December 31, 1996.

Employee obligations for capitalization purposes

Employee contributions paid into the pension fund to finance the benefits for which they are responsible are determined using different actuarial methods and assumptions than those required according to the accounting principles that are generally accepted in Canada for presenting the actuarial obligation in the financial statements.

In fact, the method used by parties to determine employee contribution rates is the overall attained-age actuarial cost method, free of assets. According to this method, employee contributions are adjusted based on the assets created so as to ensure future payment of the portion of the benefits for which they are responsible, both for service up to the date of valuation and service after this date by contributors who were employed on the date of valuation. Consequently, the value of actuarial obligations corresponds to the value of the assets created and there can be no deficit or surplus assets.

For capitalization purposes, the value of actuarial obligations for which contributors are responsible with respect to regular service was $4 498 334 000 as at December 31, 1999 and $4 499 776 000 as at December 31, 2001, which corresponds to the market value of the employee fund as at each of these dates.

8. REVENUE FROM FUNDS ENTRUSTED TO THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

	2001		
	Employee contributions fund	Employer contributions fund	Total
Net investment income from individual funds	195 901		195 901
Interest on demand deposits in the General Fund	193	(52)	141
	196 094	(52)	196 042
Change in fair value			
Gains from the sale of investments	81 012		81 012
Losses realized but not yet distributed in the individual portfolios	(92 444)		(92 444)
Unrealized losses	(437 173)		(437 173)
	(448 605)		(448 605)

9. TRANSFERS FROM RREGOP

Assented to on June 21, 2001, virtually all of the provisions of the Act creating the Pension Plan of Management Personnel in the public and parapublic sectors came into effect retroactively on January 1, 2001. As a rule, this plan applies to ununionizable employees appointed or hired as of January 1, 2001 or who contributed to the RREGOP at December 31, 2000.

The Act makes provisions for establishment of an employee contributions fund with the Caisse de dépôt et placement du Québec, which ensure the continuity of the contribution fund of ununionizable employees of the RREGOP. The transfer to the Pension Plan of Management Personnel represents the fair value of the net assets available for benefit service at December 31, 2000, which is attributable to ununionizable employees and which includes the balance of the corresponding employer contributions funds.

The Government's commitments to the PPMP, benefit obligations and the liability posted to the Government's financial statements as at December 31, 2000 were also transferred form the RREGOP.

10. BENEFITS TO CONTRIBUTORS

For fiscal 2001, $404 071 was paid under the Senior Officials' Supplemental Pension Plan and is included in the item Gouvernement du Québec pension and change in net assets available for benefit service.

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLANS OF MANAGEMENT PERSONNEL

ACTUARIAL VALUATION

The Commission's actuaries carried out an actuarial valuation of the Pension Plan of Management Personnel regarding regular service according to contributors' profiles as at December 31, 1999 in order to determine the value of the obligations resulting from the Plan to be recorded in the financial statements. The valuation reveals that, at that date, this value was $5 730 789 000.

Moreover, the latter estimated the actuarial value of additional benefits resulting form the revaluation of years of service entitling employees to pension credits acquired at December 31, 1999. This estimate was carried out according to contributors' profiles as at December 31, 1999 in order to determine the value of the obligations resulting from the Plan to be recorded in the financial statements. It reveals that, at that date, this value to $147 501 000.

ACTUARIAL OPINION INTEGRAL TO THE ACTUARIAL VALUATION REPORT FOR THE PENSION PLAN FOR MANAGEMENT PERSONNEL AT DECEMBER 31, 1999, CARRIED OUT FOR THE PURPOSE OF PRESENTING THE VALUE OF OBLIGATIONS RESULTING FROM THE PLAN IN THE FINANCIAL STATEMENTS

In our opinion,

- the data on which this valuation is based are adequate and reliable;
- the actuarial assumptions used in this valuation are appropriate and reasonable in the current context;
- the results of this valuation were arrived at in keeping with the requirements of Section 4100 of the CICA (Canadian Institute of Chartered Accounts) Handbook.

We have carried out this valuation and expressed this opinion in keeping with recognized actuarial practices.

Denis Leclerc, FICA, FSA
Director, Actuarial Service and Development

Daniel Cantin, FICA, FSA
Actuary

André Simard, FICA, FSA
Actuary

Québec, March 22, 2002

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLANS OF MANAGEMENT PERSONNEL

ACTUARIAL VALUATION

The Commission's actuaries carried out an actuarial valuation of the Government and Public Employees Retirement Plan regarding service transferred from the Teachers Pension Plan and the Civil Service Superannuation Plan and regarding pension credits awarded certain retired social affairs sector employees according to contributors' profiles as at December 31, 1996 in order to determine the value of the obligations resulting from the Plan to be recorded in the financial statements and takes into account the 1997 voluntary departures program. The valuation reveals that, at that date, this value was $2 646 505 000, $321 610 000 of which was for ununionizable employees.

ACTUARIAL OPINION INTEGRAL TO THE ACTUARIAL VALUATION REPORT FOR SERVICE TRANSFERRED FROM THE CIVIL SERVICE SUPERANNUATION PLAN AND THE TEACHERS PENSION PLAN TO THE GOVERNMENT AND PUBLIC EMPLOYEES RETIREMENT PLAN AND THE PENSION PLAN OF MANAGEMENT PERSONNEL AND PENSION CREDITS AWARDED CERTAIN RETIRED SOCIAL AFFAIRS SECTOR EMPLOYEES AS AT DECEMBER 31, 1996

In our opinion, in the context of the valuation carried out in order to determine the value of the actuarial liability posted to the Plan's financial statements,

- the data on which this valuation is based are adequate and reliable;
- the actuarial assumptions used in this valuation are appropriate and reasonable in the current context;
- the results of this valuation were arrived at in keeping with the requirements of Section 4100 of the CICA (Canadian Institute of Chartered Accounts) Handbook.

We have carried out this valuation and expressed this opinion in keeping with recognized actuarial practices.

Denis Leclerc, FICA, FSA
Director, Actuarial Service and Development

André Simard, FICA, FSA
Actuary

Québec, April 30, 1999

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLANS OF MANAGEMENT PERSONNEL

ACTUARIAL VALUATION

The Commission's actuaries carried out an actuarial valuation of the Pension Plan for Management Personnel for senior officials according to contributors' profiles as at December 31, 1996 in order to determine the value of the obligations resulting from the Plan to be recorded in the financial statements. The valuation reveals that, at that date, this value was $249 298 000 and takes the 1997 voluntary departures program into account.

ACTUARIAL OPINION INTEGRAL TO THE ACTUARIAL VALUATION REPORT OF THE PENSION PLAN FOR SENIOR OFFICIALS AS AT DECEMBER 31, 1996

In our opinion, in the context of the valuation of the Pension Plan for Senior Officials carried out in order to determine the value of the actuarial liability posted to the Plan's financial statements,

- the data on which this valuation is based are adequate and reliable;
- the actuarial assumptions used in this valuation are appropriate and reasonable in the current context;
- the results of this valuation were arrived at in keeping with the requirements of Section 4100 of the CICA (Canadian Institute of Chartered Accounts) Handbook.

We have carried out this valuation and expressed this opinion in keeping with recognized actuarial practices.

Denis Leclerc, FICA, FSA
Director, Actuarial Service and Development

Québec, April 30, 1999

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLANS OF MANAGEMENT PERSONNEL

ACTUARIAL VALUATION

The Commission's actuaries carried out an actuarial valuation of the Pension Plan for Management Personnel for supplemental pension plans for senior officials according to contributors' profiles as at December 31, 1996 in order to determine the value of the obligations resulting from the Plan to be recorded in the financial statements. The valuation reveals that, at that date, this value was $6 434 000 and takes the 1997 voluntary departures program into account.

ACTUARIAL OPINION INTEGRAL TO THE ACTUARIAL VALUATION REPORT OF THE SUPPLEMENTAL PENSION PLAN FOR SENIOR OFFICIALS AS AT DECEMBER 31, 1996

In our opinion in the context of the valuation of the Supplemental Pension Plan for Senior Officials carried out in order to determine the value of the actuarial liability posted to the Plan's financial statements,

- the data on which this valuation is based are adequate and reliable;
- the actuarial assumptions used in this valuation are appropriate and reasonable in the current context;
- the results of this valuation were arrived at in keeping with the requirements of Section 4100 of the CICA (Canadian Institute of Chartered Accounts) Handbook.

We have carried out this valuation and expressed this opinion in keeping with recognized actuarial practices.

Denis Leclerc, FICA, FSA
Director, Actuarial Service and Development

Québec, April 30, 1999

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLANS OF MANAGEMENT PERSONNEL

AUDITOR'S REPORT

To the National Assembly

I have audited the statement of net assets available for benefits of the Pension Plans of Management Personnel as at December 31, 2001 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of Commission management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

Apart from what is disclosed in the following paragraph, I conducted my audit in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

As indicated in Note 7, the amount of the benefit obligations for service transferred from the Teachers Pension Plan, the Civil Service Superannuation Plan and the Pension Plan for Senior Officials, valuated respectively at $1 069 130 000 and $496 223 000 as at December 31, 2001 result from the projection of the actuarial value of benefits as at December 31, 1996. In the absence of more recent actuarial valuations than those of December 31, 1996 and the fact that elements that might affected benefit obligations as at December 31, 2001 were not revised, I was unable to determine whether adjustments should have been made to these amounts at that date.

In my opinion, apart from adjustments that might be required to amount of benefit obligations as at December 31, 2001 mentioned in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of this plan as at December 31, 2001, and the changes in this position for the year then ended, in accordance with the accounting principles that are generally accepted in Canada.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, April 12, 2002

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES
(R.S.Q., c. R-10)
TEACHERS PENSION PLANS (R.S.Q., c. R-11)
PENSION PLAN OF CERTAIN TEACHERS (R.S.Q., c. R-9.1 and P-32.1)
STATEMENT OF CONTRIBUTIONS AND BENEFITS
as at December 31, 2001
(in thousands of dollars)

	2001		2000	
CONTRIBUTIONS				
Employee contributions, including contributions for past service				
Teachers Pension Plan	32 297		46 015	
Pension Plan of Certain Teachers	7 296	39 593	6 232	52 247
Contributions of independent employers				
Teachers Pension Plan		145		140
Interest revenue				
Teachers Pension Plan	18		14	
Pension Plan of Certain Teachers	5	23	7	21
AMOUNTS DEPOSITED IN THE CONSOLIDATED REVENUE FUND		39 761		52 408
BENEFITS				
Benefits paid				
Pensions				
Teachers Pension Plans (Note 5)	989 152		922 169	
Pension Plan of Certain Teachers	138 866	1 128 018	132 745	1 054 914
Contribution refunds				
Teachers Pension Plans	2 063		2 492	
Pension Plan of Certain Teachers	379	2 442	171	2 663
Transfers, including interest				
Teachers Pension Plans	7 705		8 938	
Pension Plan of Certain Teachers	904	8 609	781	9 719
Administrative expenses				
Teachers Pension Plans	4 417		3 358	
Pension Plan of Certain Teachers	373	4 790	408	3 766
AMOUNTS TAKEN FROM THE CONSOLIDATED REVENUE FUND TO PAY BENEFITS AND ADMINISTRATIVE EXPENSES		1 143 859		1 071 062

PENSION OBLIGATIONS (Note 6)

LIABILITY RECORDED IN THE GOVERNMENT'S FINANCIAL STATEMENTS (Note 7)

Luc Bessette
Chairman of the Commission

Michel Lagueux
Assistant Vice-Chairman

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

TEACHERS PENSION PLANS
PENSION PLAN OF CERTAIN TEACHERS
NOTES TO FINANCIAL STATEMENTS
December 31, 2001
(in thousands of dollars)

1. DESCRIPTION OF THE PLANS

Teachers Pension Plans
Pension Plan of Certain Teachers

The following description is given as a matter of information. To obtain more complete information concerning these plans, please consult the following:

- the Act respecting the Teachers Pension Plan (R.S.Q., c. R-11);
- the Act respecting the Pension Plan of Certain Teachers (R.S.Q., c. R-9.1);
- the Act respecting pension coverage for certain teachers (R.S.Q., c. P-32.1).

a) General information

These pension plans are administered by the Commission administrative des régimes de retraite et d'assurances (CARRA). They are defined-benefit pension plans offered to:

- teachers appointed or hired by a recognized educational institution prior to July 1, 1973;
- certain categories of teachers who used to belong to a religious community.

b) Funding

Pension benefits under these plans are funded by contributors and independent employers according to contribution rates set by law, and by the Government, which assumes the remaining pension obligations.

c) Retirement benefits

Contributors are entitled to benefits without any actuarial reduction at age 65 for men, or age 60 for women. They are also entitled to such benefits if they are 62 years of age and have 10 years' pensionable service, if they have 33 years' pensionable service under the Teachers Pension Plan (TPP) or 35 years' pensionable service under the Pension Plan of Certain Teachers (PPCT), or if they are 55 years of age and have 32 years' pensionable service.

Contributors are entitled to an actuarially reduced pension if they have 22 years' pensionable service and are 55 years of age for men, or 50 years of age for women. Women are also entitled to such a pension if they have 10 years' pensionable service and are 58.

The pension is calculated by multiplying the average pensionable salary for the five best-paid years by 2% per year of service. The pension is reduced beginning at age 65 in order to coordinate it with that of the Québec Pension Plan.

An additional pension equal to the average pensionable salary multiplied by 1.6% per year of credited service is added to the pension under the PPCT.

d) Disability pensions

The TPP provides for payment of a disability pension to an employee who has been disabled. The pension is calculated as a regular pension according to the number of years of pensionable service.

e) Death benefits

If a contributor or a pensioner dies, the surviving spouse is entitled to a pension equal to 50% of the pension the deceased was receiving or would have received. Each dependent child is eligible to receive a pension equal to 10% of this pension if a pension is paid to the spouse, or to 20% of the pension if no pension is paid to the spouse. In the first case, the total pension awarded to all dependent children must not exceed 40% of the pension the deceased was receiving or would have received, while in the second case, it must not exceed 80% of this pension.

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

TEACHERS PENSION PLANS
PENSION PLAN OF CERTAIN TEACHERS
NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

1. DESCRIPTION OF THE PLANS (cont'd)

e) Death benefits (cont'd)

In the case of the PPCT, if a contributor dies before being eligible to receive an immediate pension, contributions, plus interest, are refunded to the spouse or, failing that, to the heirs.

f) Severance benefits

According to the terms and conditions of the TPP, persons who cease to contribute to the plan before being eligible to receive an immediate pension are entitled to the refund of contributions if they have fewer than 10 years' pensionable service. If they have over 10 years' pensionable service, they are entitled to a deferred indexed pension or may request that the total contributions paid into the plan or the actuarial value of the deferred indexed pension, whichever is higher, be transferred to a locked-in retirement account (LIRA).

According to the terms and conditions of the PPCT, persons who cease to contribute to the plan before being eligible to receive an immediate pension are entitled to the refund of contributions, plus interest, if they have fewer than two years' pensionable service. If they have 10 or more years' pensionable service and are older than 45, they are entitled to a deferred indexed pension. In all other cases, contributors are entitled to choose between the refund of contributions, plus interest, or a deferred indexed pension.

Contributors are eligible for a deferred indexed pension at age 60 or 65, depending on the terms and conditions of each plan.

g) Indexation of benefits

Pension benefits under these plans are fully indexed to the cost of living increase for that portion of the pension which corresponds to vested service prior to July 1, 1982, and are partially indexed for that portion of the pension which corresponds to vested service after June 30, 1982.

Supplemental Pension Plan for Teachers

The Supplemental Pension Plan for Teachers (C.T. 195706 of December 19, 2000) determines the minimum pension when the latter is higher than the pension calculated under the TPP.

It makes provision for paying a disability pension, under certain conditions, when a contributor is disabled and does not already receive such a pension in keeping with the TPP.

2. ACCOUNTING POLICIES

The financial statement was prepared by management in accordance with the accounting principles that are generally accepted in Canada. This statement includes amounts based on best estimates and judgements. Since the plans have no assets, the statement of assets available for benefit service has not been presented.

Employee and employer contributions

Adjustments to employee and employer contributions are recorded when the amounts are determined.

3. CAPITALIZATION POLICY

For the TPP, the employee and independent employer contributions for the fiscal year were 6.28% of the pensionable portion of the salary that exceeds the personal exemption under the Act respecting the Québec Pension Plan (R.S.Q., c. R-9), to the maximum pensionable earnings within the meaning of this same Act and 8.08% of the remaining pensionable earnings. Under section 177 of the Act respecting the Government and Public Employees Retirement Plan, these rates are no longer reviewed.

For the PPCT, the employee contribution is 5.35% of the surplus of pensionable earnings over 35% of the maximum pensionable earnings within the meaning of the Act respecting the Québec Pension Plan.

The employee and independent employer contributions are deposited in the Consolidated Revenue Fund. The Act does not oblige the Government to contribute to these plans. However, it must be able to pay out all benefits when they become payable, by taking amounts from the Consolidated Revenue Fund.

4. AMOUNTS RECEIVABLE / TRANSFERS - PENSION PLAN OF CERTAIN TEACHERS

Sections 53 and 54 of the Act respecting the Pension Plan of Certain Teachers, in force since June 1986, stipulate that all amounts paid into the Caisse de dépôt et placement du Québec under the Act respecting the Government and Public Employees Retirement Plan for individuals covered by this Act must be transferred to the Consolidated Revenue Fund. However, any benefits paid or payable are deducted from these amounts.

As at December 31, 2001, an amount of $6 963 000 ($5 555 000 as at December 31, 2000) was receivable in relation to this transfer. In keeping with the capitalization policy, this amount will be paid into the Consolidated Revenue Fund.

5. BENEFITS TO CONTRIBUTORS

For fiscal 2001, $2 132 503 $ (2000: $1 342 957) was paid under the Supplemental Pension Plan for Teachers and is included in the item Pensions.

6. PENSION OBLIGATIONS

In keeping with the accounting principles that are generally accepted in Canada, pension obligations were determined according to the projected benefit method prorated on services and the most probable assumptions in the opinion of the plan administrator.

The assumptions chosen by CARRA are those deemed most probable by its actuaries in the context of the actuarial valuations of the Government and Public Employees Retirement Plan using data as at December 31, 1996 and tabled with the retirement committees in fall 1998 for the PPCT and data as at December 31, 1999 and tabled with the retirement committees on November 7, 2001 for the TPP.

CARRA actuaries established the actuarial value of accrued benefits of the TPP at $13 668 034 000 as at December 31, 1996 and those of the PPCT at $1 547 870 000 as at December 31, 1996, and estimated these amounts at $13 919 109 000 and $1 548 959 000 as at December 31, 2001. These values take the 1997 voluntary departures program into account.

Change in pension obligations

	2001	2000
Teachers Pension Plan		
Actuarial present value of accrued pension benefits – beginning of year	13 437 326	13 825 175
Increase		
Change in actuarial assumptions	127 190	
Actuarial loss	314 328	
Interest	971 567	844 831
Benefits accrued	92 172	123 789
	1 505 257	968 620
Decrease		
Changes to the TPP	24 554	422 870
Benefits paid	998 920	933 599
	1 023 474	1 356 469
Net increase (decrease) increase for the year	481 783	(387 849)
Actuarial present value of accrued pension benefits - end of year (amounts carried forward)	13 919 109	13 437 326

6. PENSION OBLIGATIONS (cont'd)

Change in pension obligations (cont'd)

	2001	2000
Amounts brought forward	13 919 109	13 437 326
Pension Plan of Certain Teachers		
Actuarial present value of accrued pension benefits - beginning of year	1 561 034	1 573 909
Increase		
Interest	101 639	98 202
Benefits accrued	26 435	22 620
	128 074	120 822
Decrease		
Benefits paid	140 149	133 697
Net decrease for the year	12 075	12 875
Actuarial present value of accrued pension benefits - end of year	1 548 959	1 561 034
	15 468 068	14 998 360

Significant economic assumptions

The assumptions used in determining the actuarial present value of accrued pension benefits were:

	Valuation for accounting purpose		Valuation for funding purpose	
	RRE	RRCE	RRE	RRCE
Inflation	4.00 %	4.50 %	2.75 %	2.65 %
Rate of return net of inflation	4.75	4.50	4.75	4.50
Salary escalation rate net of inflation	1.25	1.50	0.60	0.45

The medium-term rates represent the average rates for 2000 - 2010 for the TPP and 1997 - 2007 for the PPCT, while the long-term rates represent the rates used as of 2011 for the TPP and 2008 for the PPCT.

7. LIABILITY RECORDED IN THE GOVERNMENT'S FINANCIAL STATEMENTS

Since the Government has not created a pension fund for this plan, it records, as a liability in the financial statements, an amount established based on the value of benefits promised for which it is responsible, in keeping with generally recognized accounting policies applicable to the public sector in Canada. This amount corresponds to the accumulation of the pension costs and interest over obligations, minus benefits paid. To this amount are added the amounts deposited for the plans in the Consolidated Revenue Fund.

The pension costs for the plan correspond to the sum of the cost of accrued benefits, changes to the plan during the year and the amortization of adjustments for estimates resulting from actuarial gains or losses.

7. LIABILITY RECORDED IN THE GOVERNMENT'S FINANCIAL STATEMENTS (cont'd)

The cost of accrued benefits is evaluated according to the accumulated benefit method prorated based of services and the most probable assumptions determined by the Government.

Change in the liability recorded in the Government's financial statements

	2001	2000
Liability recorded in the Government's financial statements as at March 31 of the previous fiscal year	14 746 935	14 628 927
Increase		
Contributions recovered	52 772	58 993
Pension costs		
Current service	96 288	92 662
Past service	17 108	43 564
Interest	930 744	939 270
Inter-plan transfers for past service		6 275
	1 096 912	1 140 764
Decrease		
Benefits and administrative expenses paid by the Gouvernement du Québec	1 086 978	1 022 756
Inter-plan transfers for past service	413 906	
	1 500 884	1 022 756
Net (decrease) increase for the year	(403 972)	118 008
Liability recorded in the Government's financial statements as at March 31 of the current fiscal year	14 342 963	14 746 935
Estimated liability recorded as at December 31	14 360 570	14 359 976

The Financial Administration Act (R.S.Q., c. A-6) authorizes the Minister of Finance to create a sinking fund with the Caisse de dépôt et placement du Québec to provide for payment of part or all Government retirement plan benefits. The Government may invest amounts in this fund to a maximum of the amount recorded as a liability in its financial statements under retirement plans, before deduction of the balance of this fund ($46 170 billion as at March 31, 2001). At December 31, 2001, the fair value of the funds entrusted to the Caisse de dépôt et placement du Québec for this purpose was $8 978 billion, $3 529 billion of which are slated for the Government and Public Employees Retirement Plan (RREGOP) and $558 million for the Pension Plan of Management Personnel.

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES
TEACHERS PENSION PLANS
PENSION PLAN OF CERTAIN TEACHERS

OPINION ACTUARIELLE FAISANT PARTIE INTÉGRANTE DU RAPPORT D'ÉVALUATION ACTUARIELLE DU RÉGIME DE RETRAITE DES ENSEIGNANTS AU 31 DÉCEMBRE 1999, RÉALISÉE AUX FINS DE LA PRÉSENTATION DE LA VALEUR DES OBLIGATIONS DÉCOULANT DU RÉGIME À L'ÉTAT FINANCIER

The Commission's actuaries carried out an actuarial valuation of this plan according to the contributors' profile as at December 31, 1999, in order to determine the value of the obligations resulting from the Plan to be recorded in the financial statement. The valuation revealed that, at that date, the value was $13 668 034 000.

In our opinion,

- the data on which this valuation is based are adequate and reliable;
- the actuarial assumptions used in this valuation are appropriate and reasonable in the current context;
- the results of this valuation were arrived at in keeping with the requirements of Section 4100 of the CICA (Canadian Institute of Chartered Accounts) Handbook.

We have carried out this valuation and expressed this opinion in keeping with recognized actuarial practices

Denis Leclerc, FICA, FSA
Director, Actuarial Service and Development

André Simard, FICA, FSA
Actuary

Québec, March 22, 2002

ACTUARIAL OPINION INTEGRAL TO THE VALUATION OF PENSION OBLIGATIONS AS AT DECEMBER 31, 1996, AND DETERMINED FOR THE PURPOSE OF THE FINANCIAL STATEMENTS OF THE PENSION PLAN OF CERTAIN TEACHERS

The Commission's actuaries carried out an actuarial valuation of this plan according to the contributors' profile as at December 31, 1996, in order to determine the value of the obligations to be recorded in the plan's financial statements. This valuation reveals that, at that date, pension obligations for this plan amounted to $1 547 870 000. These values take the voluntary departure programs of 1997 into account.

In our opinion,

- the data on which this valuation is based are adequate and reliable;
- the actuarial assumptions used in this valuation are appropriate and reasonable in the current context;
- the results of this valuation were arrived at in keeping with the requirements of Section 4100 of the CICA (Canadian Institute of Chartered Accounts) Handbook.

We have reproduced this valuation and express this opinion in keeping with accepted actuarial practice.

Denis Leclerc, FICA, FSA
Director, Actuarial Service and Development

André Simard, FICA, FSA
Actuary

Québec, May 19, 2000

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

TEACHERS PENSION PLANS
PENSION PLAN OF CERTAIN TEACHERS
AUDITOR'S REPORT

To the National Assembly

I have audited the statement of contributions and benefits of the Teachers Pension Plans and the Pension Plan of Certain Teachers for the year ended December 31, 2001. This financial statement is the responsibility of Commission management. My responsibility consists in expressing an opinion on this financial statement based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statement is free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. It also includes assessing the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, this financial statement presents fairly, in all material respects, the contributions and benefits of these plans for the year ended December 31, 2001 in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, March 22, 2002

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES
(R.S.Q., c. R-10)
CIVIL SERVICE SUPERANNUATION PLANS
(R.S.Q., c. R-12)
STATEMENT OF CONTRIBUTIONS AND BENEFITS
as at December 31, 2001
(in thousands of dollars)

	2001	2000
CONTRIBUTIONS		
Employee contributions, including contributions for past service	8 671	10 350
Contributions of autonomous employers	1 843	2 822
Interest on contributions receivable from independent employers and other interest income	4	381
AMOUNTS DEPOSITED IN THE CONSOLIDATED REVENUE FUND	10 518	13 553
BENEFITS		
Benefits paid		
Pensions (Note 4)	434 647	429 826
Contribution refunds	454	656
Transfers, including interest	2 426	4 593
Administrative expenses	1 614	1 609
AMOUNTS TAKEN FROM THE CONSOLIDATED REVENUE FUND TO PAY BENEFITS AND ADMINISTRATIVE EXPENSES	439 141	436 684

PENSION OBLIGATIONS (Note 5)

LIABILITY RECORDED IN THE GOVERNMENT'S FINANCIAL STATEMENTS (Note 6)

Luc Bessette
Chairman of the Commission

Michel Lagueux
Assistant Vice-Chairman

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

CIVIL SERVICE SUPERANNUATION PLANS

NOTES TO FINANCIAL STATEMENTS
December 31, 2001
(in thousands of dollars)

1. DESCRIPTION OF THE PLANS

Civil Service Superannuation Plan

The following description of the Civil Service Superannuation Plan (CSSP) is given as a matter of information. To obtain more complete information concerning this plan, please consult the Act respecting the Civil Service Superannuation Plan (R.S.Q., c. R-12).

a) General information

The CSSP is administered by the Commission administrative des régimes de retraite et d'assurances (CARRA). It is a defined-benefit pension plan offered to civil service employees appointed or hired prior to July 1, 1973.

b) Funding

Pension benefits under these plans are funded by contributors and independent employers according to contribution rates set by law, and by the Government, which assumes the remaining pension obligations.

c) Retirement benefits

Contributors are entitled to benefits without any actuarial reduction:

- at age 65;
- at age 62 for men, or age 60 for women, if they have 10 years' pensionable service;
- if they have 35 years' pensionable service;
- at age 55 if they have 32 years' pensionable service; or
- at age 60 if their age and years of pensionable service total 90.

They are entitled to an actuarially reduced pension at age 55 for men, or 50 for women, if they have accumulated 22 years' pensionable service, at age 60, or under age 60 if their age and years of pensionable service total 90.

The pension is calculated by multiplying the average pensionable salary of the five best-paid years by 2% per year of service. The pension is reduced beginning at age 65 in order to coordinate with the Québec Pension Plan.

d) Disability pensions

The CSSP provides for payment of a disability pension to an employee who has been disabled. The pension is calculated as a regular pension according to the number of years of pensionable service accumulated toward the plan.

e) Death benefits

If a contributor or a pensioner dies, the surviving spouse is entitled to a pension equal to 60% of the pension the deceased was receiving or would have received. Each dependent child is eligible to receive a pension equal to 10% of this pension if a pension is paid to the spouse, or to 20% of the pension if no pension is paid to the spouse. In the first case, the total pension awarded to all dependent children must not exceed 40% of the pension the deceased was receiving or would have received, while in the second case, it must not exceed 80% of this pension.

If the participant dies before becoming eligible for an immediate pension, the contributions are refunded without interest to the spouse or, if there is no spouse, to the heirs without interest.

f) Severance benefits

Persons who cease to contribute to the CCSP before being eligible for an immediate pension are entitled to the refund of contributions if they have fewer than 10 years' pensionable service. If they have over 10 years' pensionable service, they are entitled to a deferred indexed pension at age 65 for men, or 60 for women, or may request that the total contributions paid into the CCSP or the actuarial value of the deferred indexed pension, whichever is higher, be transferred to a locked-in retirement account (LIRA).

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

CIVIL SERVICE SUPERANNUATION PLANS

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

1. DESCRIPTION OF THE PLANS (cont'd)

g) Indexation of benefits

Pension benefits under the CCSP are fully indexed to the cost of living increase for that portion of the pension which corresponds to vested service prior to July 1, 1982, and are partially indexed for that portion of the pension which corresponds to vested service after June 30, 1982.

Supplemental Pension Plan for Civil Servants

The Supplemental Pension Plan for Civil Servants (C.T. 195706 of December 19, 2000) determines the minimum pension when the latter is higher than the pension calculated under the CSSP.

It makes provision for paying a disability pension, under certain conditions, when a contributor is disabled and does not already receive such a pension in keeping with the CSSP.

2. ACCOUNTING POLICIES

This financial statement was prepared by management in accordance with the accounting principles that are generally accepted in Canada. This statement includes amounts based on best estimates and judgements. Since the CCSP has no assets, the statement of assets available for benefit service has not been presented.

Employee and employer contributions

Adjustments to employee and employer contributions are recorded when the amounts are determined.

3. CAPITALIZATION POLICY

For the CCSP, the employee and independent employer contributions for the fiscal year were 5.45% of the pensionable portion of the salary that exceeds the personal exemption under the Act respecting the Québec Pension Plan (R.S.Q., c. R-9), to the maximum pensionable earnings within the meaning of this same Act and 7.25% of the remaining pensionable earnings. Under section 177 of the Act respecting the Government and Public Employees Retirement Plan, these rates are no longer reviewed.

The employee and independent employer contributions are deposited in the Consolidated Revenue Fund. The Act does not oblige the Government to contribute to the CCSP. However, it must be able to pay out all benefits when they become payable, by taking amounts from the Consolidated Revenue Fund.

4. BENEFITS TO CONTRIBUTORS

For fiscal 2001, $72 684 was paid under the Supplemental Pension Plan for Civil Servants and is included in the item Pension.

5. PENSION OBLIGATIONS

In keeping with the accounting principles that are generally accepted in Canada, pension obligations were determined according to the projected benefit method prorated on services and the most probable assumptions in the opinion of the plan administrator.

The assumptions chosen by CARRA are those deemed most probable by its actuaries in the context of the actuarial valuation of the Government and Public Employees Retirement Plan carried out using data as at December 31, 1999 and tabled with the retirement committees on November 7, 2001.

CARRA actuaries established the actuarial value of accrued benefits at $5 458 424 000 as at December 31, 1999 and estimated it at $5 416 906 000 as at December 31, 2001.

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

CIVIL SERVICE SUPERANNUATION PLANS

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

5. PENSION OBLIGATIONS (cont'd)

Change in pension obligations

	2001	2000
Actuarial present value of accrued pension benefits – beginning of year	5 299 217	5 573 418
Increase		
Change in actuarial assumptions	118 075	
Actuarial loss	35 209	
Interest	380 051	335 794
Benefits accrued	27 070	29 802
	560 405	365 596
Decrease		
Change to the plan	5 189	204 722
Benefits paid	437 527	435 075
	442 716	639 797
Net increase (decrease) for the year	117 689	(274 201)
Actuarial present value of accrued pension benefits – end of year	5 416 906	5 299 217

Significant economic assumptions

The assumptions used in determining the actuarial present value of accrued pension benefits were:

	Valuation for accounting purposes	Valuation for funding purpose
Inflation	4.00 %	2.75 %
Rate of return net of inflation	4.75	4.75
Salary escalation rate net of inflation	1.25	0.60

The medium-term rates represent the average rates for the period 2000 to 2010, while the long-term rates represent the rates used as of 2011.

6. LIABILITY RECORDED IN THE GOVERNMENT'S FINANCIAL STATEMENTS

Since the Government has not created a pension fund for these plans, it records, as a liability in the financial statements, an amount established based on the value of benefits promised for which it is responsible, in keeping with generally recognized accounting policies applicable to the public sector in Canada. This amount corresponds to the accumulation of the pension costs and interest over obligations, minus benefits paid. To this amount are added the amounts deposited for the CCSP in the Consolidated Revenue Fund.

The pension costs for the CCSP correspond to the sum of the cost of accrued benefits, changes to this plan during the year and the amortization of adjustments for estimates resulting from actuarial gains or losses.

The cost of accrued benefits is evaluated according to the projected benefit method prorated on service and the most probable assumptions determined by the Government.

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

CIVIL SERVICE SUPERANNUATION PLANS

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

6. LIABILITY RECORDED IN THE GOVERNMENT'S FINANCIAL STATEMENTS (cont'd)

Change in the liability recorded in the Government's financial statements

	2001	2000
Liability recorded in the Government's financial statements as at March 31 of the previous fiscal year	5 369 353	5 381 363
Increase		
Contributions recovered	10 744	36 876
Pension costs		
Current service	27 361	23 187
Past service	7 411	17 502
Interest	331 104	342 644
	376 620	420 209
Decrease		
Benefits and administrative expenses paid by the Gouvernement du Québec	438 037	432 219
Inter-plan transfers for past service	202 802	
	640 839	432 219
Net decrease for the year	264 219	12 010
Liability recorded in the Government's financial statements as at March 31 of the current fiscal year	5 105 134	5 369 353
Estimated liability recorded as at December 31	5 076 658	5 126 255

The Financial Administration Act (R.S.Q., c. A-6) authorizes the Minister of Finance to create a sinking fund with the Caisse de dépôt et placement du Québec to provide for payment of part or all Government retirement plan benefits. The Government may invest amounts in this fund to a maximum of the amount recorded as a liability in its financial statements under retirement plans, before deduction of the balance of this fund ($46 170 billion as at March 31, 2001). At December 31, 2001, the fair value of the funds entrusted to the Caisse de dépôt et placement du Québec for this purpose was $8 978 billion, $3 529 billion of which are slated for the Government and Public Employees Retirement Plan (RREGOP) and $558 million for the Pension Plan of Management Personnel.

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

CIVIL SERVICE SUPERANNUATION PLANS

ACTUARIAL OPINION INTEGRAL TO THE ACTUARIAL VALUATION REPORT FOR THE CIVIL SERVICE SUPERANNUATION PLAN AS AT DECEMBER 31, 1999 CARRIED OUT FOR THE PURPOSE OF PRESENTING THE VALUE OF THE OBLIGATIONS RESULTING FROM THE PLAN RECORDED IN THE FINANCIAL STATEMENT

The Commission's actuaries carried out an actuarial valuation of this plan according to the contributors' profile as at December 31, 1999 in order to determine the value of the obligations resulting from the Plan and to be recorded in the financial statement. This valuation revealed that, at that date, the value was $5 458 424 000.

In our opinion,

- the data on which this valuation is based are adequate and reliable;
- the actuarial assumptions used in this valuation are appropriate and reasonable in the current context;
- the results of this valuation were arrived at in keeping with the requirements of Section 4100 of the CICA (Canadian Institute of Chartered Accounts) Handbook.

We have carried out this valuation and expressed this opinion in keeping with recognized actuarial practices.

Denis Leclerc, FICA, FSA
Director, Actuarial Service and Development

André Simard, FICA, FSA
Actuary

Québec, March 22, 2002

AUDITOR'S REPORT

To the National Assembly

I have audited the statement of contributions and benefits of the Civil Service Superannuation Plans for the year ended December 31, 2001. This financial statement is the responsibility of Commission management. My responsibility consists in expressing an opinion on this financial statement based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statement is free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. It also includes assessing the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, this financial statement presents fairly, in all material respects, the contributions and benefits of the plans for the year ended December 31, 2001 in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis,CA
Acting Auditor General of Québec

Québec, March 22, 2002

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES
(R.S.Q., c. R-10)
PENSION PLANS OF THE JUDGES, THE MEMBERS OF THE COMMISSION DES VALEURS MOBILIÈRES DU QUÉBEC AND THE PUBLIC PROTECTOR AND HIS/HER ASSISTANT
STATEMENT OF CONTRIBUTIONS AND BENEFITS
for the year ended December 31, 2001
(in thousands of dollars)

	2001		2000	
CONTRIBUTIONS				
Employee contributions, including contributions for past service				
Pension plans of judges of the Québec Court and certain municipal courts		3 107		
Municipalities' contributions, including contributions for previous service				
Pension plans offered judges of the Québec Court and certain municipal courts	56		68	
Supplemental pension plans offered judges of the Québec Court and certain municipal courts	95	151	131	199
AMOUNTS DEPOSITED IN THE CONSOLIDATED REVENUE FUND		3 258		199
BENEFITS				
Benefits paid				
Pensions				
Pension plans offered to judges of the Québec Court and certain municipal courts	13 863		13 063	
Pension plans offered judges of the Québec Court and certain municipal courts	1 297		632	
Pension Plan of the Members of the Commission des valeurs mobilières du Québec	77		75	
Pension Plan of the Public Protector and his/her assistant	153	15 390	150	13 920
Administrative expenses				
Pension plans offered judges of the Québec Court and certain municipal courts		31		32
AMOUNTS TAKEN FROM THE CONSOLIDATED REVENUE FUND TO PAY BENEFITS AND ADMINISTRATIVE EXPENSES		15 421		13 952

PENSION OBLIGATIONS (Note 4)
LIABILITY RECORDED IN THE GOVERNMENT'S FINANCIAL STATEMENTS (Note 5)

Luc Bessette
Chairman of the Commission

Michel Lagueux
Assistant Vice-Chairman

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLANS OF THE JUDGES, THE MEMBERS OF THE COMMISSION DES VALEURS MOBILIÈRES DU QUÉBEC AND THE PUBLIC PROTECTOR AND HIS/HER ASSISTANT
NOTES TO FINANCIAL STATEMENTS
December 31, 2000
(in thousands of dollars)

1. DESCRIPTION OF THE PLANS

Pension plan of the judges of the Court of Québec and certain municipal courts
Pension plan of certain judges of the Court of Québec appointed before January 1, 2001
Pension plan of certain judges of the Court of Québec appointed before May 30, 1978
Supplemental pension plans for judges established under section 122 of the Courts of Justice Act

The following description is given as a matter of information. To obtain more complete information concerning these plans, please consult la Part V.1 and sections 225 to 246.28 of the Courts of Justice Act (R.S.Q., c. T-16) for the pension plans and Orders-in-Council 326-93, 793-93 and 695-2001 for the supplemental pension plans.

a) General information

These pensions plans and supplemental pension plans are administered by the Commission administrative des régimes de retraite et d'assurance (CARRA). They are defined-benefit pension plans offered to judges of the Court of Québec, including those of the Québec City and Laval municipal courts.

Th Act to amend the Courts of Justice Act (Q.S. 2001, c. 8) assented to on May 30, 2001 introduced the Pension plan of the judges of the Court of Québec and certain municipal courts (PPJCQM). This plan applies to judges appointed after December 31, 2000 and to those appointed before this date to the extent that they chose to contribute to this plan before January 1, 2002.

b) Funding

PPJCQM benefits are funded by participants and municipalities according to the contribution rate set by law and by the Government, which assumes the balance of benefit obligations.

For the other plans, benefits are entirely funded by the Government.

c) Retirement benefits

Contributors are entitled to benefits at age 65 or if they have accumulated 21.7 years of service under the PPJCQM or 25 years of service under the Pension plan of certain judges appointed before January 1, 2001 (PPCJBJ). Contributors to the Pension plan of certain judges appointed before May 30, 1978 (PPCJBM) acquire the right to a retirement pension at age 70 or after having accumulated 20 years of service. For pension eligibility criteria linked to years of service, an actuarial reduction applies to the retirement pension when the result obtained by adding the age and the number of years of service is less than 80.

According to the provisions of the PPCJQM, the retirement pension is calculated by multiplying the average pensionable earnings for the three best-paid years by 1.5% per year of service.

According to the provisions of the PPCJBJ, the retirement pension is calculated by multiplying the average pensionable earnings for the three best-paid years by 2.8% per year of service for years of service prior to December 31, 1991 and by 1.5% per year of service thereafter. According to the provisions of the PPCJBM, it constitutes a fixed amount.

Contributors acquire the right to a supplemental pension that date they become eligible for a retirement pension under the basic plan. For PPCJBJ contributors, the benefit equals the surplus of the amount obtained by multiplying total average pensionable earnings for the three best-paid years by 2.8% per year of service over the retirement pension calculated under the basic plan.

For PPCJCQM contributors, the benefit equals the surplus of the amount obtained by multiplying total average pensionable earnings for the three best-paid years by 3.0% per year of service over the retirement pension calculated under the basic plan.

d) Disability Pension

These pension plans can provide for payment of a disability pension to an employee who has been totally and permanently disabled. This pension is calculated according to the same terms and conditions as a regular pension.

1. DESCRIPTION OF THE PLANS (cont'd)

Pension plan of the judges of the Court of Québec and certain municipal courts
Pension plan of certain judges of the Court of Québec appointed before January 1, 2001
Pension plan of certain judges of the Court of Québec appointed before May 30, 1978
Supplemental pension plans for judges established under section 122 of the Courts of Justice Act (cont'd)

e) Death benefits

If a contributor or a pensioner under the PPJCQM or the PPCJBJ died, the surviving spouse is entitled to a pension equal to 50% of the pension the deceased was receiving or would have received, or to 60% or 66 2/3% if the contributor had chosen a reduced pension. Each dependent child is eligible to receive a pension equal to 10% of this pension if a pension is paid to the spouse, or to 20% of the pension if no pension is paid to the spouse. In the first case, the total pension awarded to all dependent children must not exceed 40% of the pension the deceased was receiving or would have received, while in the second case, it must not exceed 80% of this pension. If a contributor dies before being eligible to receive a pension, contributions, plus interest, are refunded to the surviving spouse or, failing that, to the heirs.

If a contributor or a pensioner under the RRCJBJ died, the surviving spouse is entitled to a pension equal to 50% of the pension the deceased was receiving or would have received.

The same conditions apply to supplemental benefits.

f) Severance benefits

Persons who cease to contribute to the PPJCQM or the PPCJBJ before being eligible for an immediate pension are entitled to a deferred indexed pension at age 65 if they have more than two years' pensionable service; otherwise, they are entitled to the refund of contributions, plus interest. The same conditions apply to supplemental benefits.

Persons who cease to contribute to the PPCJBM before being eligible for an immediate pension are entitled only to the refund of contributions, plus interest.

g) Indexation of benefits

Pension benefits under the PPJCQM and PPCJBJ and supplemental benefits are fully indexed to the cost of living increase for the portion of the pension which corresponds to vested service prior to July 1, 1990, and are partially indexed for the portion of the pension which corresponds to vested service after June 30, 1990. Pension benefits under the PPCJBM are fully indexed if contributors opt for such indexation by investing the required amounts.

Pension plan of the members of the Commission des valeurs mobilières du Québec
Pension plan of the Public Protector and his/her assistant

The following description is given as a matter of information. To obtain more complete information concerning these plans, please consult the following:

- section 25 of the Act to amend the Securities Act (S.Q. 1971, chapter 77) regarding the pension plan of the members of the Commission des valeurs mobilières du Québec;

- the Public Protector Act (R.S.Q., c. P-32) regarding the pension plan of the Public Protector and his/her assistant;

a) General information

These pension plans are administered by CARRA. They are defined-benefit pension plans offered to the members of the Commission des valeurs mobilières du Québec and to the Public Protector and his/her assistant.

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLANS OF THE JUDGES, THE MEMBERS OF THE COMMISSION DES VALEURS MOBILIÈRES DU QUÉBEC AND THE PUBLIC PROTECTOR AND HIS/HER ASSISTANT
NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2000
(in thousands of dollars)

1. DESCRIPTION OF THE PLANS (cont'd)

Pension plan of the members of the Commission des valeurs mobilières du Québec
Pension plan of the Public Protector and his/her assistant (cont'd)

b) Funding

Pension benefits under these plans are funded entirely by the Government.

c) Retirement benefits

Benefits under the Pension plan of the members of the Commission des valeurs mobilières du Québec are equal to 75% of what the member was earning at retirement if he or she has more than 20 years' pensionable service or is disabled, and to 100% of what the member was earning at that time, if he or she is older than 75. In the event of death, the surviving spouse is entitled to a pension equal to 25% of the member's salary. Certain pensions under the plan are indexed to the cost of living increase.

Benefits under the pension plan of the Public Protector and his/her assistant are equal to 25% of what the contributor was earning at retirement per period of 5 years' pensionable service, without exceeding 75%. In the event of death, the surviving spouse is entitled to a pension equal to 50% of the pension the deceased was receiving or would have received. The plan also provides for payment of a disability pension to an employee who has been disabled. Pension benefits are not indexed to the cost of living increase.

2. ACCOUNTING POLICIES

This financial statement was prepared by management in accordance with the accounting principles that are generally accepted in Canada. This statement includes amounts based on best estimates and judgements. Since the plans have no assets, the statement of assets available for benefit service has not been presented.

Employee and employer contributions

Adjustments to employee and employer contributions are recorded when the amounts are determined.

3. CAPITALIZATION POLICY

For the fiscal year, the employee contribution to the PPJCQM equals 7.0% of pensionable earnings. The PPCJBJ and PPCJBM have been non-contributory since January 1, 1990. The municipalities make contributions corresponding to 22.78% of the payroll of the judges in question (9.70% for the basic plan and 13.08% for supplementary benefits).

The judges contemplated by the PPJCQM, including those that opted for this plan, must pay an amount equal to the contribution they would have paid for the year 2000. This amount may not exceed the amount eligible for contributions for past service under the tax rules applicable. Amounts can be paid in equal instalments, with interest, over a maximum of three years.

The Pension plan of the members of the Commission des valeurs mobilières du Québec and the Pension plan of the Public Protectors and his/her assistant are non-contributory.

Employee and municipal contributions are deposited in the Consolidated Revenue Fund. The Act does not oblige the Government to contribute to these plans. However, it must be able to pay out all benefits when they become payable, by taking amounts from the Consolidated Revenue Fund.

4. PENSION OBLIGATIONS

In keeping with the accounting principles that are generally accepted in Canada, pension obligations were determined according to the projected benefit method prorated on service and the most probable assumptions in the opinion of the plan administrator.

The assumptions chosen by CARRA are the same as those adopted by the Government in 1995 in the context of the preparation of its financial statements for the purpose of recording its pension costs.

4. PENSION OBLIGATIONS (cont'd)

For the supplemental pension plans offered judges of the Québec Court and certain municipal courts, and to commissioners of the Commission des valeurs mobilières du Québec, CARRA actuaries established the actuarial value of accrued benefits at $197 100 386 as at December 31, 1996 and estimated it at $273 214 000 as at December 31, 2001.

Change in pension obligations

	2001	2000
Actuarial present value of accrued pension benefits – beginning of year	233 916	222 598
Increase		
Changes made to plans	27 795	
Interest	17 714	17 347
Benefits accrued	9 026	7 741
	54 535	25 088
Decrease		
Benefits paid	15 237	13 770
Net increase for the year	39 298	11 318
Actuarial present value of accrued pension benefits – end of year	273 214	233 916

For the Pension plan of the Public Protector and his/her assistant, CARRA actuaries established the actuarial value of accrued benefits at $2 657 000 as at December 31, 2001 (December 31, 2000: $2 499 000).

Significant long-term economic assumptions

The assumptions used in determining the actuarial present value of accrued pension benefits were:

Inflation	3.00 %
Rate of return net of inflation	4.30
Salary escalation rate net of inflation	1.25

5. LIABILITY RECORDED IN THE GOVERNMENT'S FINANCIAL STATEMENTS

Since the Government has not created a pension fund for these plans, it records, as a liability in the financial statements, an amount established based on the value of benefits promised for which it is responsible, in keeping with generally recognized accounting policies applicable to the public sector in Canada. This amount corresponds to the accumulation of the pension costs and interest over obligations, minus benefits paid. To this amount are added the amounts deposited for the plans in the Consolidated Revenue Fund.

The pension costs for the plans correspond to the sum of the cost of accrued benefits, changes to the plans during the year and the amortization of adjustments for estimates resulting from actuarial gains or losses.

The cost of accrued benefits is evaluated according to the accumulated benefit method prorated based on service and the most probable assumptions determined by the Government.

5. LIABILITY RECORDED IN THE GOVERNMENT'S FINANCIAL STATEMENTS (cont'd)

Change in the liability recorded in the Government's financial statements

	2001	2000
Liability recorded in the Government's financial statements as at March 31 of the previous fiscal year	223 566	213 615
Increase		
Contributions recovered	183	205
Pension costs		
Current service	7 977	6 178
Interest	17 347	16 743
	25 507	23 126
Decrease		
Benefits and administrative expenses paid by the Gouvernement du Québec	14 032	13 175
Net increase	11 475	9 951
Liability recorded in the Government's financial statements as at March 31 of the current fiscal year	235 041	223 566
Estimated liability recorded as at December 31	270 706	232 211

The Financial Administration Act (R.S.Q., c. A-6) authorizes the Minister of Finance to create a sinking fund with the Caisse de dépôt et placement du Québec to provide for payment of part or all Government retirement plan benefits. The Government may invest amounts in this fund to a maximum of the amount recorded as a liability in its financial statements under retirement plans, before deduction of the balance of this fund (March 31, 2001: $46 170 billion). At December 31, 2001, the fair value of the funds entrusted to the Caisse de dépôt et placement du Québec for this purpose was $8 978 billion, $3 529 billion of which are slated for the Government and Public Employees Retirement Plan (RREGOP) and $558 million for the Pension Plan of Management Personnel.

6. COMPARATIVE FIGURES

Certain 2000 figures have been adjusted to comply with the presentation adopted in 2001.

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLANS OF THE JUDGES, THE MEMBERS OF THE COMMISSION DES VALEURS MOBILIÈRES DU QUÉBEC AND THE PUBLIC PROTECTOR AND HIS/HER ASSISTANT

ACTUARIAL OPINION INTEGRAL TO THE VALUATION OF PENSION OBLIGATIONS AS AT DECEMBER 31, 1996 AND DETERMINED FOR THE PURPOSES OF THE FINANCIAL STATEMENTS OF SUPPLEMENTAL PENSION PLANS OFFERED QUÉBEC COURT JUDGES

The Commission's actuaries carried out an actuarial valuation of these plans according to the contributors' profile as at December 31, 1996 in order to determine the value of the obligations to be recorded in the plans' financial statement. The actuarial assumptions used correspond to those adopted by the Government in 1995 for the preparation of its financial statements. This valuation reveals that, at that date, pension obligations for these plans amounted to $16 437 386.

In my opinion,

- the data on which this valuation is based are adequate and reliable;
- the results of this valuation were arrived at in keeping with the requirements of Section 4100 of the CICA (Canadian Institute of Chartered Accounts) Handbook.

I have reproduced this valuation and express this opinion in keeping with accepted actuarial practice.

Denis Leclerc, FICA, FSA
Director, Actuarial Service and Development

Québec, May 19, 1999

ACTUARIAL OPINION INTEGRAL TO THE VALUATION OF PENSION OBLIGATIONS AS AT DECEMBER 31, 1996 AND DETERMINED FOR THE PURPOSES OF THE PENSION PLANS OFFERED JUDGES OF THE QUÉBEC COURT AND CERTAIN MUNICIPAL COURTS, AND COMMISSIONERS OF THE COMMISSION DES VALEURS MOBILIÈRES DU QUÉBEC.

The Commission's actuaries carried out an actuarial valuation of these plans according to the contributors' profile as at December 31, 1996 in order to determine the value of the obligations to be recorded in the plan's financial statement. The actuarial assumptions used correspond to those adopted by the Government in 1995 for the preparation of its financial statements. This valuation reveals that, at that date, pension obligations for these plans amounted to $180 663 000.

In our opinion,

- the data on which this valuation is based are adequate and reliable;
- the results of this valuation were arrived at in keeping with the requirements of Section 4100 of the CICA (Canadian Institute of Chartered Accounts) Handbook.

We have reproduced this valuation and express this opinion in keeping with accepted actuarial practice.

Denis Leclerc, FICA, FSA
Director, Actuarial Service and Development

André Simard, FICA, FSA
Actuary

Québec, May 19, 1999

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLANS OF THE JUDGES, THE MEMBERS OF THE COMMISSION DES VALEURS MOBILIÈRES DU QUÉBEC AND THE PUBLIC PROTECTOR AND HIS/HER ASSISTANT
AUDITOR'S REPORT

To the National Assembly

I have audited the statement of contributions and benefits of the pension plans mentioned in Note 1 for the year ended December 31, 2001. This financial statement is the responsibility of Commission management. My responsibility consists in expressing an opinion on this financial statement based on my audit.

Apart from what is disclosed in the following paragraph, my audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statement is free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. It also includes assessing the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

As indicated in Note 4, the amount of the benefit obligations for pensions plans and supplemental pension plans offered to judges of the Québec Court and certain municipal courts, and to commissioners of the Commission des valeurs mobilières du Québec, valuated at $273 214 000 as at December 31, 2001, result from the projection of the actuarial value of accrued benefits as at December 31, 1996. In the absence of more recent actuarial valuations than those of December 31, 1996 and the fact that elements that might affected benefit obligations as at December 31, 2001 were not revised, I was unable to determine whether adjustments should have been made to these amounts at that date.

In my opinion, apart from adjustments that might be required to amount of benefit obligations as at December 31, 2001 mentioned in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of this plan as at December 31, 2001, and the changes in this position for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, March 22, 2002

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES
(R.S.Q., c. R-10)
SUPERANNUATION PLAN FOR THE MEMBERS OF THE SÛRETÉ DU QUÉBEC

STATEMENT OF CONTRIBUTIONS AND BENEFITS
for the year ended December 31, 2001
(in thousands of dollars)

	2001	2000
CONTRIBUTIONS		
Employee contributions, including contributions for past service	16 442	13 837
Contributions of independent employers	146	97
Interest income	20	43
AMOUNTS DEPOSITED IN THE CONSOLIDATED REVENUE FUND	16 608	13 977
BENEFITS		
Benefits paid		
Pensions	119 770	111 296
Contribution refunds	18	319
Transfers, including interest	5 636	6 782
Administrative expenses	466	516
AMOUNTS TAKEN FROM THE CONSOLIDATED REVENUE FUND TO PAY BENEFITS AND ADMINISTRATIVE EXPENSES	125 890	118 913

PENSION OBLIGATIONS (Note 4)

LIABILITY RECORDED IN THE GOVERNMENT'S FINANCIAL STATEMENTS (Note 5)

Luc Bessette
Chairman of the Commission

Michel Lagueux
Assistant Vice-Chairman

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

SUPERANNUATION PLAN FOR THE MEMBERS OF THE SÛRETÉ DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS
December 31, 2001
(in thousands of dollars)

1. DESCRIPTION OF THE PLAN

The description of the Superannuation Plan for the Members of the Sûreté du Québec is given as a matter of information. To obtain more complete information concerning this plan, please consult the 1992 agreement between the Gouvernement du Québec and the Association des policiers provinciaux du Québec as well as the letter of agreement endorsed by the parties in 2001 for the period January 1, 1992 to June 30, 2002.

a) General information

The Plan is administered by the Commission administrative des régimes de retraite et d'assurances (CARRA). It is a defined-benefit pension plan offered to eligible members of the Sûreté du Québec.

b) Funding

Pension benefits under these plans are funded by contributors and independent employers according to contribution rates set by the agreement, and by the Government, which assumes the remaining pension obligations.

c) Retirement benefits

Contributors are entitled to benefits without any actuarial reduction if they have 25 years' pensionable service or if their age and years of pensionable service total 75.

They are entitled to an actuarially reduced pension if they have 20 years' pensionable service.

Contributors must retire at age 65 or if they have 35 years' pensionable service.

The pension is equal to the sum of the following:

- for past service credited prior to January 1, 1992, the amount obtained by multiplying the average pensionable salary for the 48 best-paid months by 2.3% per year of service for the first 30 years of service and by 0.5% per year for the thirty-first and thirty-second years; and

- for service credited after December 31, 1991, the amount obtained by multiplying the average pensionable salary for the 36 best-paid months by 2% per year of service, to which is added, until age 65, an additional amount equal to 0.3% per year of service.

The pension for past service cumulated prior to January 1, 1992, is reduced beginning at age 65 to coordinate it with that of the Québec Pension Plan.

d) Death benefits

If a person dies while not on duty and contributed to the plan for at least 10 years, the surviving spouse is entitled to a pension equal to 50% of the pension the deceased was receiving or would have received, excluding the additional amount.

Each dependent child is eligible to receive a pension equal to 10% of this pension, if a pension is paid to the spouse, without the total pension awarded to all dependent children exceeding 40% of the pension the deceased was receiving or would have received. If no pension is paid to the spouse, the dependent children share, in equal parts, a pension equal to that which the surviving spouse would have received, plus 10% per child, beginning with the second child, without the total pension awarded to all the children exceeding 80% of the pension the deceased was receiving or would have received.

If a contributor dies while not on duty and before accumulating 10 years' pensionable service, contributions, plus interest, are refunded to the spouse or, failing that, to the heirs.

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

SUPERANNUATION PLAN FOR THE MEMBERS OF THE SÛRETÉ DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

1. DESCRIPTION OF THE PLANS (cont'd)

e) Severance benefits

Persons who cease to contribute to the plan before being eligible for an immediate pension are entitled to the refund of contributions, plus interest, if they have fewer than two years' service.

In all other cases, contributors may choose between the partial or complete refund of contributions, plus interest, and a deferred indexed pension, depending on their age and years of service when they cease to contribute to the plan.

Contributors are entitled to the deferred indexed pension at age 60 or if they have 32 years' pensionable service, whichever occurs first.

f) Indexation of benefits

Pensioners who became members of the Sûreté du Québec prior to April 1, 1987, receive pensions which are fully indexed to the cost of living increase for pensionable service credited prior to January 1, 1992, and up to 20 years' pensionable service after that date. In all other cases, pensions are partially indexed to the cost of living increase.

Special pension

In keeping with an agreement between the Gouvernement du Québec and the Association des policiers provinciaux du Québec, benefits payables on death of a member of the Sûreté du Québec on duty before he/she is eligible for a retirement pension under the Plan, or before he/she is 60, correspond to 80% of the wage he/she would have received up to the first of these dates. These benefits are payable to the member's spouse or, if there is no spouse, to his/her dependent children.

The spouse and dependent children of a member who dies on duty will receive the benefits provided for under this plan as of the date the member would have been eligible for a retirement pension under the Plan. This fiscal year, no amount was paid under this agreement.

2. ACCOUNTING POLICIES

This financial statement was prepared by management in accordance with the accounting principles that are generally accepted in Canada. This statement includes amounts based on best estimates and judgements. Since the plans have no assets, the statement of assets available for benefit service has not been presented.

Employee and employer contributions

Adjustments to employee and employer contributions are recorded when the amounts are determined.

3. CAPITALIZATION POLICY

The employee and independent employer contributions for the fiscal year were 6.2% of the pensionable portion of the salary that exceeds the personal exemption under the Act respecting the Québec Pension Plan (R.S.Q., c. R-9), to the maximum pensionable earnings within the meaning of this same Act and 8% of the remaining pensionable earnings.

The employee and independent employer contributions are deposited in the Consolidated Revenue Fund. The Act does not oblige the Government to contribute to these plans. However, it must be able to pay out all benefits when they become payable, by taking amounts from the Consolidated Revenue Fund.

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

SUPERANNUATION PLAN FOR THE MEMBERS OF THE SÛRETÉ DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

4. PENSION OBLIGATIONS

In keeping with the accounting principles that are generally accepted in Canada, pension obligations were determined according to the projected benefit method prorated on service and the most probable assumptions in the opinion of the plan administrator.

The assumptions chosen by CARRA are those deemed most probable by its actuaries in the context of the actuarial valuations conducted using data from the Government and Public Employees Retirement Plan as at December 31, 1999 and tabled before the retirement committees on November 7, 2001.

CARRA actuaries established the actuarial value of accrued benefits at $2 467 509 000 as at December 31, 2000 and estimated it at $2 565 168 000 as at December 31, 2001.

Change in pension obligations

	2001	2000
Actuarial present value of accrued pension benefits – beginning of year	2 490 464	2 406 053
Increase		
Changes to plan	10 099	
Interest	176 052	154 299
Benefits accrued	47 031	43 063
	233 182	197 362
Decrease		
Changes in actuarial assumptions	28 392	
Changes to plan	4 662	(5 446)
Benefits paid	125 424	118 397
	158 478	112 951
Net increase for the year	74 704	84 411
Actuarial present value of accrued pension benefits – end of year	2 565 168	2 490 464

Significant economic assumptions

The assumptions used in determining the actuarial present value of accrued pension benefits were:

	Valuation for accounting purposes	Valuation for funding purpose
Inflation	4.00%	2.75%
Rate of return net of inflation	4.75	4.75
Salary escalation rate net of inflation	1.25	0.70

The medium-term rates represent the average rates for the period 2001 to 2010, while the long-term rates represent the rates used as of 2011.

5. LIABILITY RECORDED IN THE GOVERNMENT'S FINANCIAL STATEMENTS

Since the Government has not created a pension fund for this plan, it records, as a liability in the financial statements, an amount established based on the value of benefits promised for which it is responsible, in keeping with generally recognized accounting policies applicable to the public sector in Canada. This amount corresponds to the accumulation of the pension costs and interest over obligations, minus benefits paid. To this amount are added the amounts deposited for the plan in the Consolidated Revenue Fund.

The pension costs for the plan correspond to the sum of the cost of accrued benefits, changes to this plan during the year and amortization of adjustments for estimates resulting from actuarial gains or losses.

The cost of accrued benefits is evaluated according to the projected benefit method prorated on service and the most probable assumptions determined by the Government.

Change in the liability recorded in the Government's financial statements

	2001	2000
Liability recorded in the Government's financial statements as at March 31 of the previous fiscal year	2 311 862	2 237 930
Increase		
Contributions recovered	14 780	16 299
Pension costs		
Current service	32 897	27 238
Past service	5 853	736
Interest	150 025	142 715
	203 555	186 988
Decrease		
Benefits and administrative expenses paid by the Gouvernement du Québec	120 222	113 056
Net increase for the year	83 333	73 932
Liability recorded in the Government's financial statements as at March 31 of the current fiscal year	2 395 195	2 311 862
Estimated liability recorded as at December 31	2 458 697	2 369 637

The Financial Administration Act (R.S.Q., c. A-6) authorizes the Minister of Finance to create a sinking fund with the Caisse de dépôt et placement du Québec to provide for payment of part or all Government retirement plan benefits. The Government may invest amounts in this fund to a maximum of the amount recorded as a liability in its financial statements under retirement plans, before deduction of the balance of this fund (March 31, 2001: $46 170 billion). At December 31, 2001, the fair value of the funds entrusted to the Caisse de dépôt et placement du Québec for this purpose was $8 978 billion, $3 529 billion of which are slated for the Government and Public Employees Retirement Plan (RREGOP) and $558 million for the Pension Plan of Management Personnel.

6. CONTINGENCIES

A contributor filed a grievance in respect of the average pensionable salary used by CARRA to calculate the amount of pension benefits. CARRA is unable to determine the chances of the contributor's winning the case and, if so, the attendant financial impacts.

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

SUPERANNUATION PLAN FOR THE MEMBERS OF THE SÛRETÉ DU QUÉBEC
ACTUARIAL OPINION INTEGRAL TO THE ACTUARIAL VALUATION REPORT FOR THE SUPERANNUATION PLAN FOR THE MEMBERS OF THE SÛRETÉ DU QUÉBEC AT DECEMBER 31, 2000, CARRIED OUT FOR THE PURPOSE OF PRESENTING THE VALUE OF OBLIGATIONS RESULTING FROM THE PLAN IN THE FINANCIAL STATEMENT

The Commission's actuaries carried out an actuarial valuation of this plan according to the contributors' profile as at December 31, 2000 in order to determine the value of the obligations resulting from the Plan and to be recorded in the financial statement. This valuation revealed that, at that date, the value was $2 467 509 000.

In our opinion,

- the data on which this valuation is based are adequate and reliable;
- the actuarial assumptions used in this valuation are appropriate and reasonable in the current context;
- the results of this valuation were arrived at in keeping with the requirements of Section 4100 of the CICA (Canadian Institute of Chartered Accounts) Handbook.

We have carried out this valuation and expressed this opinion in keeping with recognized actuarial practices.

Jean Dessureault, FICA, FSA
Actuary

André Simard, FICA, FSA
Actuary

Québec, March 28, 2002

AUDITOR'S REPORT

To the National Assembly

I have audited the statement of contributions and benefits of the Superannuation Plan for the Members of the Sûreté du Québec for the year ended December 31, 2001. This financial statement is the responsibility of Commission management. My responsibility consists in expressing an opinion on this financial statement based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statement is free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. It also includes assessing the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, this financial statement presents fairly, in all material respects, the contributions and benefits of this plan as for the year ended December 31, 2001, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, March 28, 2002

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES
(R.S.Q., c. R-10)
PENSION PLAN FOR PEACE OFFICERS IN CORRECTIONAL SERVICES
(R.S.Q., c. R-9.2)
CONTRIBUTIONS AND BENEFITS
for the year ended December 31, 2001
(in thousands of dollars)

	2001	2000
CONTRIBUTIONS		
Employee contributions, including contributions for past service	3 533	7 074
AMOUNTS DEPOSITED IN THE CONSOLIDATED REVENUE FUND	3 533	7 074
BENEFITS		
Benefits paid		
Pensions	21 765	19 862
Contribution refunds and transfers, including interest	1 053	1 888
Administrative expenses	234	250
AMOUNTS TAKEN FROM THE CONSOLIDATED REVENUE FUND TO PAY BENEFITS AND ADMINISTRATIVE EXPENSES	23 052	22 000

GOVERNMENT COMMITMENTS VIS-À-VIS THE PLAN (Note 4)
PENSION OBLIGATIONS (Note 5)

Luc Bessette
Chairman of the Commission

Michel Lagueux
Assistant Vice-Chairman

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLAN FOR PEACE OFFICERS IN CORRECTIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS
December 31, 2001
(in thousands of dollars)

1. DESCRIPTION OF THE PLAN

The description of the Pension Plan for Peace Officers in Correctional Services is given as a matter of information. To obtain more complete information concerning this plan, please consult the Act respecting the Pension Plan for Peace Officers in Correctional Services (R.S.Q., c. R-9.2).

a) General information

The Plan is administered by the Commission administrative des régimes de retraite et d'assurances (CARRA). It is a defined-benefit pension plan offered to members of the Syndicat des agents de la paix en services correctionnels du Québec, to intermediate officers represented by the Fraternité des cadres intermédiaires des agents de la paix de la fonction publique or the Association des administrateurs des établissements de détention du Québec and to certain categories of employees at the Institut Pinel.

b) Funding

Benefits are funded in the following proportions: contributors - 54% and Government - 46%.

The plan's administrative expenses are assumed by the Government.

c) Retirement benefits

Contributors are entitled to benefits without any actuarial reduction at age 65 if they have 32 years' pensionable service, at age 50 if they have 30 years' pensionable service, or at age 60 if their age and years of pensionable service total 90.

They are entitled to an actuarially reduced pension if they have 25 years' pensionable service and are 60 years of age.

The pension is calculated by multiplying the average pensionable salary for the five best-paid years by 2% per year of service credited after December 31, 1991, plus, until age 65, an amount equal to 0.1875% per year of service. For the years of service accumulated prior to December 31, 1991, the annual acquisition rate is 2.1875%. The pension is reduced beginning at the age of 65 in order to coordinate it with that of the Québec Pension Plan.

d) Disability pensions

The Pension Plan for Peace Officers in Correctional Services provides for payment of a disability pension to an employee who has been disabled. The pension is calculated as a regular pension according to the number of years of pensionable service accumulated to the plan.

e) Death benefits

If a contributor or a pensioner dies, the surviving spouse is entitled to a pension equal to 50% of the pension the deceased was receiving or would have received, or to 60% if the deceased had chosen to receive a pension reduced by 2%. Each dependent child is eligible to receive a pension equal to 10% of this pension if a pension is paid to the spouse, or to 20% of the pension if no pension is paid to the spouse. In the first case, the total pension awarded to all dependent children must not exceed 40% of the pension the deceased was receiving or would have received, while in the second case, it must not exceed 80% of this pension.

If a contributor dies before being eligible for a pension, contributions, plus interest, are refunded to the spouse or, failing that, to the heirs.

f) Severance benefits

Persons who cease to contribute to the plan before being eligible to receive an immediate pension are entitled to the refund of contributions, plus interest, if they have fewer than 10 years' pensionable service; otherwise, they are entitled to a deferred indexed pension at the age of 65.

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLAN FOR PEACE OFFICERS IN CORRECTIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

1. DESCRIPTION OF THE PLAN (cont'd)

g) Indexation of benefits

Pension benefits under this plan are partially indexed to the cost of living increase.

2. ACCOUNTING POLICIES

This financial statement was prepared by management in accordance with the accounting principles that are generally accepted in Canada. This statement includes amounts based on best estimates and judgements. Since the plan has no assets, the statement of assets available for benefit service has not been presented.

Employee and employer contributions

Adjustments to employee and employer contributions are recorded when the amounts are determined.

3. CAPITALIZATION POLICY

In keeping with section 126 of the Act respecting the Pension Plan of Peace Officers in Correctional Services, CARRA actuaries must conduct an actuarial valuation of the plan every three years. The goal of this valuation is to determine the employee contribution rate based on the benefits to be paid out and the value of the fund they would have set up had they capitalized their share. This valuation is based on assumptions established by CARRA actuaries and on the attained-age actuarial cost method, free of assets.

The employee contribution for the fiscal year is 3.0% of pensionable earnings to the maximum pensionable earnings within the meaning of the Act respecting the Québec Pension Plan (R.S.Q., c. R-9), and 4.0% of the remaining pensionable earnings. This contribution rate was established based on the actuarial valuation conducted using data as at December 31, 1997 and agreements between the parties since its publication in April 2000.

Employee contributions are deposited in the Consolidated Revenue Fund. The Act does not oblige the Government to contribute to a pension fund. However, the Government's commitments to fund regular service are presented in Note 4. They are calculated as the fund the parties would have created, had their contributions, established according to the above-mentioned actuarial valuation, been deposited in a pension fund.

The amounts required to pay all benefits are taken from the Consolidated Revenue Fund.

4. GOVERNMENT COMMITMENTS VIS-À-VIS THE PLAN

Liability recorded in the Government's financial statements

Since the Government has not created a pension fund for this shared-cost plan and because the employee contributions are deposited in the Consolidated Revenue Fund, it records, as a liability in the financial statements, the following amounts:

- the value of the fund that the contributors would have set up had their contributions been deposited in a pension fund that generates the same rates of return as the employees fund of the Pension Plan for Peace Officers in Correctional Services entrusted to the Caisse de dépôt et placement du Québec, and

- an amount established based on the value of benefits for which it is responsible, i.e. 46% of total benefits, in keeping with generally recognized accounting policies applicable to the public sector in Canada. This amount corresponds to the accumulation of the pension costs and interest over obligations, minus benefits paid. The pension cost is evaluated according to the projected benefit method prorated on service and the most probable assumptions determined by the Government.

4. GOVERNMENT COMMITMENTS VIS-À-VIS THE PLAN (cont'd)

Change in the liability recorded in the Government's financial statements

	2001	2000
Liability recorded in the Government's financial statements as at March 31 of the previous fiscal year	524 497	480 276
Increase		
Contributions recovered	7 123	6 904
Pension costs		
Current service	5 657	5 108
Past service	105	
Interest	82 247	51 508
	95 132	63 520
Decrease		
Benefits and administrative expenses paid by the Gouvernement du Québec	22 981	19 299
Net increase for the year	72 151	44 221
Liability recorded in the Government's financial statements as at March 31 of the current fiscal year	596 648	524 497
Estimated liability recorded as at December 31	615 415	572 576

The Financial Administration Act (R.S.Q., c. A-6) authorizes the Minister of Finance to create a sinking fund with the Caisse de dépôt et placement du Québec to provide for payment of part or all Government retirement plan benefits. The Government may invest amounts in this fund to a maximum of the amount recorded as a liability in its financial statements under retirement plans, before deduction of the balance of this fund (March 31, 2001: $46 170 billion). At December 31, 2001, the fair value of the funds entrusted to the Caisse de dépôt et placement du Québec for this purpose was $8 978 billion, $3 529 billion of which are slated for the Government and Public Employees Retirement Plan (RREGOP) and $558 million for the Pension Plan of Management Personnel.

Financing the plan

In keeping with the Act respecting the Government and Public Employees Retirement Plan, CARRA actuaries conduct an actuarial valuation every three years with respect to financing the plan. In this valuation, the actuaries take legislative provisions and collective agreements into account by using the valuation method the parties agree to and determine the employee and employer contribution rates. Consequently, from the beginning of the plan, CARRA has presented the Government's commitments to financing regular service as the fund it would have created, had these contributions, established on the same bases as those used to determine the employee fund, been deposited in a pension fund. However, the Act does not oblige the Government to contribute to the plan. The value of this fund was estimated at $767 454 000 as at December 31, 2001.

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLAN FOR PEACE OFFICERS IN CORRECTIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

4. GOVERNMENT COMMITMENTS VIS-À-VIS THE PLAN (cont'd)

Financing the plan (cont'd)

However, in its consolidated financial statements for the year ended as at March 31, 2001, the Government does not recognize having commitments to the plan on the basis of sharing the annual contribution for financing. According to its interpretation of the legislative provisions of the plan, the Government's commitment the plan includes 46% of total benefits determined using accounting policies, in keeping with the recommendations of the Canadian Institute of Chartered Accountants. Consequently, the pre-recorded contribution representing the difference between the fund the parties would have created, paid they capitalized their share and the liability recorded in the Government's financial statements is no longer presented in the notes to the financial statements since the fiscal year ended March 31, 1998. However, these notes contain information concerning the various actuarial valuations. The Auditor General of Québec issued a restriction in his report, to the effect that the Government does not clearly acknowledge having made commitments to finance the plan, while recognizing that its financial statements correctly present the liability, net debt and surplus for the fiscal year ended March 31, 2001.

Change in the fund the parties would have created

	2001			2000
	Employee portion	Government portion	Total	Total
Opening balance	403 043	343 053	746 096	624 223
Increase				
Employee contributions and other amounts cashed	8 536		8 536	7 430
Gouvernement du Québec contributions		3 236	3 236	6 269
Interest	17 848	15 096	32 944	130 211
	429 427	361 385	790 812	768 133
Decrease				
Payment of benefits to contributors	12 487	10 637	23 124	21 787
Administrative expenses		234	234	250
Closing balance	416 940	350 514	767 454	746 096

5. PENSION OBLIGATIONS

In keeping with the accounting principles that are generally accepted in Canada, pension obligations were determined according to the projected benefit method prorated on service and the most probable assumptions in the opinion of the plan administrator.

The assumptions chosen by CARRA are those deemed most probable by its actuaries in the context of the actuarial valuation of the plan conducted on the basis of data as at December 31, 1997.

CARRA actuaries established the actuarial value of accrued benefits at $369 059 000 at December 31, 1997 and $436 398 000 at December 31, 2001.

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLAN FOR PEACE OFFICERS IN CORRECTIONAL SERVICES

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

5. PENSION OBLIGATIONS (cont'd)

Change in pension obligations

	2001	2000
Actuarial present value of accrued pension benefits - beginning of year	417 090	401 340
Increase		
Interest	28 064	25 762
Benefits accrued	14 062	11 738
	42 126	37 500
Decrease		
Benefits paid	22 818	21 750
Net increase for the year	19 308	15 750
Actuarial present value of accrued pension benefits - end of year	436 398	417 090

Significant economic assumptions

The assumptions used in determining the actuarial present value of accrued pension benefits were:

	Valuation for accounting purposes	Valuation for funding purpose
Inflation	4.50%	2.70%
Rate of return net of inflation	4.50	4.50
Salary escalation rate net of inflation	1.50	0.55

The medium-term rates represent the average rates for the period 1998 to 2007, while the long-term rates represent the rates used as of 2008.

Obligations for capitalization purposes

Employee contributions paid into the Consolidated Revenue Fund to finance the benefits for which they are responsible are determined using different actuarial methods and assumptions than those required according to generally accepted accounting principles in Canada for presenting the actuarial obligation in the financial statements.

In fact, since the creation of the plan, the method used by parties of interest to determine employee contribution rates is the overall attained-age actuarial cost method, free of assets. In keeping with this method, employee contributions are adjusted based on the assets created so as to ensure future payment of the portion of the benefits for which they are responsible, both for service up to the date of valuation and service after this date by contributors who were employed on the date of valuation. Consequently, the value of actuarial obligations corresponds to the value of the assets created and there can be no deficit or surplus assets.

For capitalization purposes, the value of actuarial was $767 454 000 at December 31, 2001, which corresponds to the fund the parties would have created.

6. CHANGES TO THE PLAN

Draft legislation was tabled in the National Assembly to change the Plan. This bill proposes a new contribution formula, a reduced contribution rate, a new indexation formula and a new eligibility criterion for retirement without reduction.

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLAN FOR PEACE OFFICERS IN CORRECTIONAL SERVICES

ACTUARIAL OPINION INTEGRAL TO THE VALUATION OF PENSION OBLIGATIONS AS AT DECEMBER 31, 1997 AND DETERMINED FOR THE PURPOSE OF THE FINANCIAL STATEMENTS OF THE PENSION PLAN FOR PEACE OFFICERS IN CORRECTIONAL SERVICES

The Commission's actuaries carried out an actuarial valuation of this plan according to the contributors' profile as at December 31, 1997 in order to determine the value of the obligations to be recorded in the plan's financial statements. This valuation reveals that, at that date, pension obligations for this plan amounted to $369 059 000.

In our opinion,

- the data on which this valuation is based are adequate and reliable;
- the actuarial assumptions used in this valuation are appropriate and reasonable in the current context;
- the results of this valuation were arrived at in keeping with the requirements of Section 4100 of the CICA (Canadian Institute of Chartered Accounts) Handbook.

We have reproduced this valuation and express this opinion in keeping with accepted actuarial practice.

Denis Leclerc, FICA, FSA
Director, Actuarial Service and Development

André Simard, FICA, FSA
Actuary

Québec, April 19, 2000

AUDITOR'S REPORT

To the National Assembly

I have audited the statement of contributions and benefits of the Pension Plan of Peace Officers in Correctional Services for the year ended December 31, 2001. This financial statement is the responsibility of Commission management. My responsibility consists in expressing an opinion on this financial statement based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statement is free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. It also includes assessing the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, this financial statement presents fairly, in all material respects, the contributions and benefits of this plan for the year ended December 31, 2001, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, April 12, 2002

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES
(R.S.Q., c. R-10)
PENSION PLAN FOR FEDERAL EMPLOYEES TRANSFERRED TO EMPLOYMENT WITH THE GOUVERNEMENT DU QUÉBEC
NET ASSETS AVAILABLE FOR BENEFITS
as at December 31, 2001
(in thousands of dollars)

	2001	2000
ASSETS		
Investments		
Funds entrusted to the Caisse de dépôt et placement du Québec (Note 4)	123 350	129 997
Accounts receivables		
Employee contributions	70	67
Amounts receivable for past service	237	213
	307	280
	123 657	130 277
LIABILITIES		
Pensions and administrative expenses payable	662	1
NET ASSETS AVAILABLE FOR BENEFITS (Note 6)	122 995	130 276

GOVERNMENT COMMITMENTS VIS-À-VIS THE PLAN (Note 5)

Luc Bessette
Chairman of the Commission

Michel Lagueux
Assistant Vice-Chairman

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLAN FOR FEDERAL EMPLOYEES TRANSFERRED TO EMPLOYMENT WITH THE GOUVERNEMENT DU QUÉBEC
CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
for the year ended December 31, 2001
(in thousands of dollars)

	2001	2000
INCREASE IN ASSETS		
Employee contributions, including contributions for past service	979	924
Revenue from funds entrusted to the Caisse de dépôt et placement du Québec (Note 7)	5 119	5 452
Changes in the fair value of funds entrusted to the Caisse de dépôt et placement du Québec (Note 7)	(11 658)	3 957
	(5 560)	10 333
Amounts received from the Gouvernement du Québec to pay administrative expenses	24	26
	(5 536)	10 359
DECREASE IN ASSETS		
Benefits paid		
Pensions	1 649	1 542
Contribution refunds and transfers, including interest	72	330
Administrative expenses	24	26
	1 745	1 898
NET (DECREASE) INCREASE FOR THE YEAR	(7 281)	8 461
NET ASSETS AVAILABLE FOR BENEFITS – BEGINNING OF YEAR	130 276	121 815
NET ASSETS AVAILABLE FOR BENEFITS – END OF YEAR	122 995	130 276

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLAN FOR FEDERAL EMPLOYEES TRANSFERRED TO EMPLOYMENT WITH THE GOUVERNEMENT DU QUÉBEC
NOTES TO FINANCIAL STATEMENTS
December 31, 2001
(in thousands of dollars)

1. DESCRIPTION OF THE PLAN

The following description of the Pension Plan for Federal Employees Transferred to Employment with the Gouvernement du Québec is given as a matter of information. To obtain more complete information concerning this plan, please consult Orders-in-Council 429-93 and 430-93 of the Gouvernement du Québec.

a) General information

The Plan is administered by the Commission administrative des régimes de retraite et d'assurances (CARRA). It is a defined-benefit pension plan offered to federal employees transferred to the Gouvernement du Québec to administer programs related to immigration and the goods and services tax. The plan, which was sanctioned by the Gouvernement du Québec by virtue of Order-in-Council 430-93 of March 31, 1993, came into force on January 1, 1992.

b) Funding

Benefits are funded by the contributors according to the contribution rate established by Order-in-Council 430-93, by the sums transferred from the federal government and by the Government du Québec, which assumes the remaining obligations related to benefits.

Administrative expenses for the plan are assumed by the Government du Québec.

c) Retirement benefits

Contributors are entitled to benefits at age 60 if they have five or more years' pensionable service, or at age 55 if they have 30 or more years' pensionable service. They are entitled to retirement with an actuarial reduction if, at age 50, if they have 25 years' service.

The pension is calculated according to the average pensionable salary for the six consecutive best-paid years, multiplied by 2% per year of service. The pension is reduced beginning at age 65 in order to coordinate it with that of the Québec Pension Plan.

d) Disability pension

The Pension Plan for Peace Officers in Correctional Services provides for payment of a disability pension to an employee who has been disabled. The pension is calculated as a regular pension according to the number of years of pensionable service accumulated to the plan.

e) Death benefits

Upon the death of a person who had at least five years of service, or who was collecting a pension, the surviving spouse is entitled to a pension equal to 50% of the pension the deceased was receiving or would have received without counting the reduction resulting from coordination with the Québec Pension Plan. Each dependent child is eligible to receive a pension equal to 10% of this pension if a pension is paid to the spouse, or to 20% of the pension if no pension is paid to the spouse. In the first case, the total pension awarded to all dependent children must not exceed 40% of the pension the deceased was receiving or would have received, while in the second case, it must not exceed 80% of this pension.

If, at the time of death, the contributor had less than five years' service, the spouse, or heirs are entitled to reimbursement of the contributions plus interest.

f) Severance benefits

Persons who cease to contribute to the Pension Plan for Federal Employees Transferred to Employment with the Gouvernement du Québec before being eligible to receive an immediate pension are entitled to the refund of contributions, plus interest, if they have fewer than five years' pensionable service. If they have more than five years' pensionable service under this plan, they are entitled to an indexed deferred pension payable at age 60.

g) Indexation of benefits

Pension benefits under this plan are fully indexed to the cost of living increase.

2. ACCOUNTING POLICIES

These financial statements were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Employee and employer contributions

Adjustments to employee and employer contributions are recorded when the amounts are determined.

Funds entrusted to the Caisse de dépôt et placement du Québec

Participation deposits in the individual fund of the Caisse de dépôt et placement du Québec are recorded at fair value, which is established on the basis of the fair value of units, as determined by the Caisse de dépôt et placement du Québec.

The investments of this individual fund are composed primarily of participating units in individual Caisse de dépôt et placement du Québec portfolios. The net gains on the sale of investments earned by these individual portfolios, which are not distributed to the individual fund, are included in the net assets of individual portfolios. These revenues are added to the cost of participation deposits.

3. CAPITALIZATION POLICY

The employee contribution for the fiscal year is 5.2% of pensionable earnings, which exceeds the personal exemption under the Act respecting the Québec Pension Plan (R.S.Q., c. R-9) to the maximum pensionable earnings within the meaning of the same Act, and 7.5% of the remaining pensionable earnings. However, when the employee reaches 35 years of service, and becomes eligible for a pension, his/her contribution is 1% of the total wages.

Employee contributions and amounts transferred from the federal government are deposited with the Caisse de dépôt et placement du Québec. Under the Order-in-Council, the Government du Québec is not obliged to contribute to the plan..

The amounts required to pay all benefits are taken from the funds entrusted to the Caisse de dépôt et placement du Québec. When these funds are empty, they are taken from the Consolidated Revenue Fund.

4. FUNDS ENTRUSTED TO THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

	2001	2000
Participation deposits in the individual fund – at fair value (cost 2001: $141 741; 2000: $136 581)	121 919	129 480
Demand deposits in the General Fund	832	118
Revenue receivable from the individual fund	599	399
	123 350	129 997
Cumulated gains realized, but not yet distributed by individual portfolios, included in the cost of participation deposits	27 029	26 869

5. GOVERNMENT COMMITMENTS VIS-À-VIS THE PLAN

Under the provisions of the plan, the Government contribution equals employee contributions for the years preceding the first actuarial valuation. The Government's commitments vis-à-vis the plan correspond to these contributions plus interest calculated using the annual rate of return of the unionizable employees fund of the Government and Public Employees Retirement Plan entrusted to the Caisse de dépôt et placement du Québec. These commitments were estimated at $7 442 000 at December 31, 2001 (2000: $7 146 000).

6. PENSION OBLIGATIONS

In keeping with the accounting principles that are generally accepted in Canada, pension obligations were determined according to the projected benefit method prorated on service and the most probable assumptions in the opinion of the plan administrator.

The assumptions chosen by CARRA are those deemed most probable by its actuaries in the context of the actuarial valuation of the Government and Public Employees Retirement Plan conducted on the basis of data as at December 31, 1996 and tabled before the retirement committees on October 15, 1998. The short-term economic assumptions were adjusted to reflect data known at the time the valuation was tabled.

CARRA actuaries established the actuarial value of accrued benefits at $50 885 346 at December 31, 1997 and $68 087 000 at December 31, 2001.

Change in pension obligations

	2001	2000
Actuarial present value of accrued pension benefits – beginning of year	63 017	58 709
Increase		
Interest	4 311	3 832
Benefits accrued	2 480	2 348
	6 791	6 180
Decrease		
Benefits paid	1 721	1 872
Net increase for the year	5 070	4 308
Actuarial present value of accrued pension benefits – end of year	68 087	63 017

Significant economic assumptions

The assumptions used in determining the actuarial present value of accrued pension benefits were:

	Valuation for accounting purposes	Valuation for funding purpose
Inflation	4.50%	2.70%
Rate of return net of inflation	4.50	4.50
Salary escalation rate net of inflation	1.50	0.55

The medium-term rates represent the average rates for the period 1998 to 2007, while the long-term rates represent the rates used as of 2008.

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLAN FOR FEDERAL EMPLOYEES TRANSFERRED TO EMPLOYMENT WITH THE GOUVERNEMENT DU QUÉBEC
NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

7. REVENUE FROM FUNDS ENTRUSTED TO THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

	2001	2000
Revenue from participation deposits in the individual fund	5 114	5 446
Interest on demand deposits in the General Fund	5	6
	5 119	5 452
Change in fair value		
Gains realized on the sale of investments	970	6 715
Gains realized but not yet distributed by individual portfolios	93	12 576
Unrealized losses	(12 721)	(15 334)
	(11 658)	3 957

ACTUARIAL OPINION INTEGRAL TO THE VALUATION OF PENSION OBLIGATIONS AS AT DECEMBER 31, 1997 AND DETERMINED FOR THE PURPOSE OF THE FINANCIAL STATEMENTS OF THE PENSION PLAN FOR FEDERAL EMPLOYEES TRANSFERRED TO EMPLOYMENT WITH THE GOUVERNEMENT DU QUÉBEC

The Commission's actuaries carried out an actuarial valuation of this plan according to the contributors' profile as at December 31, 1997, in order to determine the value of the obligations to be recorded in the plan's financial statements. This valuation revealed that, at that date, pension obligations for this plan amounted to $50 885 346.

In my opinion,

- the data on which this valuation is based are adequate and reliable;
- the actuarial assumptions used in this valuation are appropriate and reasonable in the current context;
- the results of this valuation were arrived at in keeping with the requirements of Section 4100 of the CICA (Canadian Institute of Chartered Accounts) Handbook.

I have reproduced this valuation and express this opinion in keeping with accepted actuarial practice.

Denis Leclerc, FICA, FSA
Director, Actuarial Service and Development

Québec, May 12, 2000

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLAN FOR FEDERAL EMPLOYEES TRANSFERRED TO EMPLOYMENT WITH THE GOUVERNEMENT DU QUÉBEC
AUDITOR'S REPORT

To the National Assembly

I have audited the statement of net assets available for benefits of the Pension Plan for Federal Employees Transferred to Employment with the Gouvernement du Québec as at December 31, 2001 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of Commission management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of this plan as at December 31, 2001 and the changes in this position for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, March 26, 2002

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES
(R.S.Q., c. R-10)
PENSION PLANS OF ELECTED MUNICIPAL OFFICERS
(R.S.Q., c. R-9.3)
NET ASSETS AVAILABLE FOR BENEFITS
as at December 31, 2001
(in thousands of dollars)

	2001	2000
ASSETS		
Investments		
Fund entrusted to the Caisse de dépôt et placement du Québec (Note 4)	182 895	194 825
Accounts receivable		
Employee contributions	68	71
Employer contributions	227	242
Amounts receivable from beneficiaries	1	1
	296	314
Cash on hand	18	102
	183 209	195 241
LIABILITIES		
Contribution refunds and pensions payable	91	89
Administrative expenses payable	97	103
Amounts payable to municipalities and agencies (Note 7)	86 300	
	86 488	192
NET ASSETS AVAILABLE FOR BENEFITS (Note 5)	96 721	195 049

Luc Bessette
Chairman of the Commission

Michel Lagueux
Assistant Vice-Chairman

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLANS OF ELECTED MUNICIPAL OFFICERS

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
for the year ended December 31, 2001
(in thousands of dollars)

	2001	2000
INCREASE IN ASSETS		
Employee contributions, including contributions for past service	1 238	1 172
Employer contributions, including contributions for past service	4 201	4 100
Revenue from funds entrusted to the Caisse de dépôt et placement du Québec (Note 6)	7 577	8 019
Changes in the fair value of funds entrusted to the Caisse de dépôt et placement du Québec (Note 6)	(20 182)	5 087
Other interest income	4	5
	(7 162)	18 383
DECREASE IN ASSETS		
Benefits paid		
Pensions	4 595	4 228
Contribution refunds and transfers, including interest	157	147
Administrative expenses	114	94
	4 866	4 469
NET (DECREASE) INCREASE BEFORE THE FOLLOWING ITEM:	(12 028)	13 914
Amounts payable to municipalities and agencies (Note 7)	86 300	
NET (DECREASE) INCREASE FOR THE YEAR	(98 328)	13 914
NET ASSETS AVAILABLE FOR BENEFITS – BEGINNING OF YEAR	195 049	181 135
NET ASSETS AVAILABLE FOR BENEFITS – END OF YEAR	96 721	195 049

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLANS OF ELECTED MUNICIPAL OFFICERS

NOTES TO FINANCIAL STATEMENTS
December 31, 2001
(in thousands of dollars)

1. DESCRIPTION OF THE PLANS

Pension Plan of Elected Municipal Officers

The following description of the Pension Plan of Elected Municipal Officers (PPEMO) is given as a matter of information. To obtain more complete information concerning this plan, please consult the Act respecting the Pension Plan of Elected Municipal Officers (R.S.Q., c. R-9.3).

a) General information

The PPEMO is administered by the Commission administrative des régimes de retraite et d'assurances (CARRA). It is a defined-benefit pension plan offered to members of a municipal council that passes a by-law to join the plan.

b) Funding

Benefits are funded by contributors and municipalities according to the contribution rates stipulated in the Act and the related regulations.

The amounts needed to cover the administrative expenses for the fiscal year, paid by CARRA, are taken from the interim employer contribution.

c) Retirement benefits

Contributors are entitled to benefits without any actuarial reduction at age 69 or, if they are no longer members of a municipal council and have at least two years' pensionable service, at age 60.

Contributors are entitled to an actuarially reduced pension at age 50 and if they have at least two years' pensionable service.

For each year of service prior to January 1, 1992, contributors are entitled to a pension credit equal to 3.5% of pensionable earnings less 0.7% of the lesser of these earnings or the maximum admissible earnings under the Act respecting the Québec Pension Plan and, for each year of service subsequent to December 31, 1991, to a pension credit equal to 2% of the pensionable service. This pension credit is fully indexed to the increase in the cost of living every year until the contributor retires.

d) Death benefits

At the time of death of a pension recipient or contributor, the spouse or successors are entitled, as the case may be, to either the surviving spouse's pension or reimbursement of the actuarial valuation of the pension or reimbursement of the contribution plus interest.

e) Severance benefits

A person who ceases contributing to the PPEMO is entitled, depending on the number of service years, to either reimbursement of this/her contribution plus interest or a deferred pension.

f) Indexation of Benefits

Pension benefits under the PPEMO are partially indexed to the cost of living increase.

Supplemental pension plan for elected municipal officials

In keeping with an agreement concluded with the Union des municipalités du Québec and the Fédération québécoise des municipalités, the Gouvernement du Québec committed to adopting the legislative provisions creating the Supplemental pension plan for elected municipal officials. This plan must target elected municipal officials in office as at December 31, 2000 and those persons entitled to a PPEMO pension at that date. Benefits are payable as of January 1, 2002. This plan will not be capitalized and will be funded by the municipalities subject to the PPEMO as at December 31, 2000.

2. ACCOUNTING POLICIES

These financial statements were prepared by management in accordance with the accounting principles that are generally accepted in Canada. They include amounts based on best estimates and judgements.

Employee and employer contributions

Adjustments to employee and employer contributions are recorded when the amounts are determined.

Funds entrusted to the Caisse de dépôt et placement du Québec

Participation deposits in the individual fund of the Caisse de dépôt et placement du Québec are recorded at fair value, which is established on the basis of the fair value of units, as determined by the Caisse de dépôt et placement du Québec.

The investments of this individual fund are composed primarily of participating units in individual Caisse de dépôt et placement du Québec portfolios. The net gains on the sale of investments earned by these individual portfolios, which are not distributed to individual funds, are included in the net assets of individual portfolios. These revenues are added to the cost of participation deposits.

3. CAPITALIZATION POLICY

The employee contribution is 4.75% of pensionable earnings.

The municipality, intermunicipal board, agent or supramunicipal agency pays a provisional contribution calculated using a factor determined by a Gouvernement du Québec regulation. For fiscal 2001, the factor used to establish this provisional contribution was 3.37 times the employee contribution.

Employee and employer contributions are deposited in the Caisse de dépôt et placement du Québec.

4. FUNDS ENTRUSTED TO THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

	2001	2000
Participation deposits in the individual fund – at fair value (cost 2001: 110 119; 2000: 206 424)	94 213	193 175
Demand deposits in the General Fund	85 166	287
Revenue receivable from individual fund	3 516	1 363
	182 895	194 825
Cumulated gains realized, but not yet distributed by individual portfolios, included in the cost of participation deposits	22 815	46 586

5. PENSION OBLIGATIONS

In keeping with the accounting principles that are generally accepted in Canada, pension obligations were determined according to the projected benefit method prorated on service and the most probable assumptions in the opinion of the PPEMO administrator.

The assumptions chosen by CARRA are those deemed most probable by its actuaries in the context of the actuarial valuation of the PPEMO carried out in April 2002 for the purposes of funding the plan using data as at December 31, 2000.

The CARRA actuaries established the actuarial value of accrued benefits at $94 289 000 at December 31, 2000 and $100 577 000 at December 31, 2001.

5. PENSION OBLIGATIONS (cont'd)

Changes in pension obligations

	2001	2000
Actuarial present value of accrued pension benefits - beginning of year	95 207	89 840
Increase		
Changes in actuarial assumptions	831	
Interest	6 817	5 825
Benefits accrued	4 223	3 917
	11 871	9 742
Decrease		
Actuarial gain	1 749	
Benefits paid	4 752	4 375
	6 501	4 375
Net increase for the year	5 370	5 367
Actuarial present value of accrued pension benefits - end of year	100 577	95 207

Significant economic assumptions

The assumptions used in determining the actuarial present value of accrued pension benefits were:

	Valuation for accounting purposes	Valuation for funding purpose
Inflation	4.00%	2.75%
Rate of return net of inflation	4.75	4.75
Salary escalation net of inflation	0.00	0.00

The medium-term rates represent the average rates for the period 2001 to 2010, while the long-term rates represent the rates used as of 2011.

6. REVENUE FROM FUNDS ENTRUSTED TO THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

	2001	2000
Revenue form participation deposits in the individual fund	7 276	8 010
Interest on demand deposits in the General Fund	301	9
	7 577	8 019
Change in fair value		
(Losses) Gains realized on the sale of investments	(17 133)	14 537
(Losses) Gains realized but not yet distributed by individual portfolios	(393)	21 803
Unrealized losses	(2 656)	(31 253)
	(20 182)	5 087

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLANS OF ELECTED MUNICIPAL OFFICERS

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

7. AMOUNTS PAYABLE TO MUNICIPALITIES AND AGENCIES

The Act to amend various legislative provisions related to municipal matters (Q.S. 2001, c. 25) assented to on June 21, 2001 makes provision for the payment of surplus plan assets estimated at $86 3000 000 as December 31, 2000 to municipalities and agencies subject to the PPEMO at this date.

In exchange, the municipalities and agencies will pay the benefits of the supplemental pension plan set up for PPEMO participants as at December 31, 2000.

The above-mentioned $86 300 000 was paid in January 2002 to the municipalities and agencies in question, minus $1 200 000 representing an estimate of their contributions to the supplemental benefit plan for 2002, which amount is reserved for this new plan.

The value of supplemental benefit obligations cannot be determined, since these benefits have not yet been defined..

ACTUARIAL OPINION INTEGRAL TO THE ACTUARIAL OPINION INTEGRAL TO THE ACTUARIAL VALUATION REPORT FOR THE PENSION PLAN OF ELECTED MUNICIPAL OFFICERS AT DECEMBER 31, 2000, CARRIED OUT FOR THE PURPOSE OF PRESENTING THE VALUE OF OBLIGATIONS RESULTING FROM THE PLAN IN THE FINANCIAL STATEMENTS

The Commission's actuaries carried out an actuarial valuation of this plan according to the contributors' profile as at December 31, 2000 in order to determine the value of the obligations resulting from the Plan in the financial statements. This valuation revealed that, at that date, this value was $94 289 000.

In my opinion,

- the data on which this valuation is based are adequate and reliable;
- the actuarial assumptions used in this valuation are appropriate and reasonable in the current context;
- the results of this valuation were arrived at in keeping with the requirements of Section 4100 of the CICA (Canadian Institute of Chartered Accounts) Handbook.

We have carried out this valuation and expressed this opinion in keeping with recognized actuarial practices.

Daniel Cantin, FICA, FSA
Actuary

Alain Jacob, FICA, FSA
Actuary

Québec, April 4, 2002

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLANS OF ELECTED MUNICIPAL OFFICERS

AUDITOR'S REPORT

To the National Assembly

I have audited the statement of net assets available for benefits of the Pension Plans of Elected Municipal Officers as at December 31, 2001 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of Commission management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of these plans as at December 31, 2001 and the changes in this position for the year then ended, in accordance with generally accepted accounting principles in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Amounts payable to municipalities and agencies

As indicated in Note 7, surplus assets estimated at $86 300 000 minus $1 200 000 reserved for a new plan were paid in January 2002 to the municipalities and agencies that contributed to the Plan as at December 31, 2000. The Act to amend various legislative provisions related to municipal matters (Q.S. 2001, c. 25) provides for the surplus to be distributed in keeping with a Government Order-in-Council. At the date of this report, no such Order-in-Council had been obtained. Further, at this same date, since I had not obtained sufficiently detailed elements to sufficiently support the breakdown of the distribution of the surplus assets to the municipalities and agencies, I was unable to verify whether this distribution was conducted appropriately.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, April 17, 2002

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES
(R.S.Q., c. R-10)
RETIREMENT PLAN FOR THE MAYORS AND COUNCILLORS OF MUNICIPALITIES
(R.S.Q., c. R-16)
NET ASSETS AVAILABLE FOR BENEFITS
as at December 31, 2001

	2001	2000
ASSETS		
Investments		
Fund entrusted to the Caisse de dépôt et placement du Québec (Note 3)	$13 343 975	$ 14 807 179
Cash on hand	15	47
	13 343 990	14 807 226
LIABILITIES		
Pensions payable		8 757
NET ASSETS AVAILABLE POUR FOR BENEFITS (Note 4)	$13 343 990	$14 798 469

Luc Bessette
Chairman of the Commission

Michel Lagueux
Assistant Vice-Chairman

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

RETIREMENT PLAN FOR THE MAYORS AND COUNCILLORS OF MUNICIPALITIES

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
for the year ended December 31, 2001

	2001	2000
INCREASE IN ASSETS		
Revenue from funds entrusted to the Caisse de dépôts et placement du Québec (Note 5)	$207 442	$676 429
Changes in the fair value of funds entrusted to the Caisse de dépôt et placement du Québec (Note 5)	(657 692)	354 940
Other interest income	179	254
	(450 071)	1 031 623
DECREASE IN ASSETS		
Benefits paid		
Pensions	1 004 408	1 013 651
Contribution refunds and transfers, including interest		40 447
	1 004 408	1 054 098
NET DECREASE FOR THE YEAR	1 454 479	22 475
NET ASSETS AVAILABLE FOR BENEFITS – BEGINNING OF YEAR	14 798 469	14 820 944
NET ASSETS AVAILABLE FOR BENEFITS – END OF YEAR	$13 343 990	$14 798 469

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

RETIREMENT PLAN FOR THE MAYORS AND COUNCILLORS OF MUNICIPALITIES

NOTES TO FINANCIAL STATEMENTS
December 31, 2001

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1. DESCRIPTION OF THE PLAN

The following description of the Retirement Plan for the Mayors and Councillors of Municipalities is given as a matter of information. To obtain more complete information concerning this plan, please consult the Act respecting retirement plans for the mayors and councillors of municipalities (R.S.Q., c. R-16).

a) General information

The Plan is administered by the Commission administrative des régimes de retraite et d'assurances (CARRA). It is a defined-benefit pension plan offered to members of a municipal council that passes a by-law to join the plan.

The right to participate in the Retirement Plan for the Mayors and Councillors of Municipalities was abolished with the coming into force of the Pension Plan of Elected Municipal Officers (R.S.Q., c. R-9.3) on January 1, 1989.

b) Funding

Benefits are taken from the pension fund created for the plan. When there are no more beneficiaries, there is likely to be a surplus or a deficit. Since the Act governing the plan does not specify to whom the surplus at the end of the plan belongs or who will assume payment of the benefit until it expires, the parties concerned (government, employers and contributors) will eventually have to rule on this matter.

Expenses related to the administration of this plan are assumed by the Gouvernement du Québec.

c) Retirement benefits

Contributors were entitled to benefits if they had accumulated at least eight years' pensionable service. The pension is calculated on the basis of the amount of employee and employer contributions, plus interest, which have accumulated in the contributor's account. This pension is payable at age 60 and is not indexed to the cost of living increase.

d) Death benefits

Upon the death of a person who had been receiving a pension for fewer than 15 years, the surviving spouse or heirs is or are entitled to receive the pension until the 15-year period expires or, on request, an amount equal to the pension's present value.

2. ACCOUNTING POLICIES

These financial statements were prepared by management in accordance with the accounting principles that are generally accepted in Canada. They include amounts based on best estimates and judgements.

Funds entrusted to the Caisse de dépôt et placement du Québec

Participation deposits in the individual fund of the Caisse de dépôt et placement du Québec are recorded at fair value, which is established on the basis of the fair value of units, as determined by the Caisse de dépôt et placement du Québec.

The investments of this individual fund are composed primarily of participating units in individual Caisse de dépôt et placement du Québec portfolios. The net gains on the sale of investments earned by these individual portfolios, which are not distributed to the individual fund, are included in the net assets of individual portfolios. These revenues are added to the cost of participation deposits.

3. FUNDS ENTRUSTED TO THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

	2001	2000
Participation deposits in the individual fund – at fair value (cost 2001: $15 031 424; 2000: $15 717 237)	$12 860 129	$14 703 118
Revenue receivable from the individual fund	483 846	104 061
	$13 343 975	$14 807 179
Cumulated gains realized, but not yet distributed by individual portfolios, included in the cost of participation deposits	$3 491 173	$3 758 661

4. PENSION OBLIGATIONS

Pension obligations were determined according to the accounting principles that are generally accepted in Canada. For contributors not receiving benefits, obligations correspond to the sums accumulated by each at the valuation date. For beneficiaries, they are determined according to the accrued benefit method and the assumptions that are most probable in the eyes of the plan administrator.

The assumptions chosen by CARRA are those deemed most probable by its actuaries in the context of the actuarial valuation for the Government and Public Employees Retirement Plan conducted on the basis of data as at December 31, 1996 and tabled before the retirement committees on October 15, 1998. The assumption required concerns retiree mortality and asset returns. The average rate of return on assets for the period 1998 to 2007 is 7.2% and after 2008, 9%.

CARRA actuaries established the actuarial value of accrued benefits at $12 054 849 at December 31, 1997 and $10 516 212 at December 31, 2001.

Changes in pension obligations

	2001	2000
Actuarial present value of accrued pension benefits - beginning of year	$10 819 073	$11 180 685
Increase		
Interest	701 547	692 486
Decrease		
Benefits paid	1 004 408	1 054 098
Net decrease for the year	302 861	361 612
Actuarial present value of accrued pension benefits - end of year	$10 516 212	$10 819 073

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

RETIREMENT PLAN FOR THE MAYORS AND COUNCILLORS OF MUNICIPALITIES

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001

5. REVENUE FROM FUNDS ENTRUSTED TO THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

	2001	2000
Net investment income from the individual fund	$207 442	$676 429
Change in fair value		
Gains realized on the sale of investments	$558 490	$1 106 864
(Losses) Gains realized but not yet distributed by individual portfolios	(53 647)	1 732 491
Unrealized losses	(1 162 535)	(2 484 415)
	$(657 692)	$354 940

ACTUARIAL OPINION INTEGRAL TO THE VALUATION OF PENSION OBLIGATIONS AS AT DECEMBER 31, 1997 AND DETERMINED FOR THE PURPOSE OF THE FINANCIAL STATEMENTS OF THE RETIREMENT PLAN FOR THE MAYORS AND COUNCILLORS OF MUNICIPALITIES

The Commission's actuaries carried out an actuarial valuation of this plan according to the contributors' profile as at December 31, 1997 in order to determine the value of the obligations to be recorded in the plan's financial statements. This valuation reveals that, at that date, pension obligations for this plan amounted to $12 054 849.

In my opinion,

- the data on which this valuation is based are adequate and reliable;
- the actuarial assumptions used in this valuation are appropriate and reasonable in the current context;
- the results of this valuation were arrived at in keeping with the requirements of Section 4100 of the CICA (Canadian Institute of Chartered Accounts) Handbook.

I have reproduced this valuation and express this opinion in keeping with accepted actuarial practice.

Denis Leclerc, FICA, FSA
Director, Actuarial Service and Development

Québec, May 12, 2000

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

RETIREMENT PLAN FOR THE MAYORS AND COUNCILLORS OF MUNICIPALITIES

AUDITOR'S REPORT

To the National Assembly

I have audited the statement of net assets available for benefits of the Retirement Plan for the Mayors and Councillors of Municipalities as at December 31, 2001 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of Commission management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of this plan as at December 31, 2001 and the changes in this position for the year then ended, in accordance with generally accepted accounting principles in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, March 26, 2002

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES
(R.S.Q., c. R-10)
RETIREMENT PLAN FOR ACTIVE MEMBERS OF THE CENTRE HOSPITALIER CÔTE-DES-NEIGES

NET ASSETS AVAILABLE FOR BENEFITS
as at December 31, 2001

	2001	2000
ASSETS		
Investments		
Funds entrusted to the Caisse de dépôt et placement du Québec (Note 4)	$59 967 462	$65 086 788
Accounts receivable		
Employee contributions	8 938	10 674
Employer contributions	412	597
	9 350	11 271
Cash on hand	36	425
	59 976 848	65 098 484
LIABILITIES		
Excess employee contributions to be refunded	4 238	4 238
NET ASSETS AVAILABLE FOR BENEFITS (Note 5)	$59 972 610	$65 094 246

Luc Bessette
Chairman of the Commission

Michel Lagueux
Assistant Vice-Chairman

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

RETIREMENT PLAN FOR ACTIVE MEMBERS OF THE CENTRE HOSPITALIER CÔTE-DES-NEIGES

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
for the year ended December 31, 2001

	2001	2000
INCREASE IN ASSETS		
Employee contributions, including contributions for past service	$43 689	$49 504
Employer contributions, including contributions for past service	31 137	36 720
Revenue from funds entrusted to the Caisse de dépôt et placement du Québec (Note 6)	2 543 893	3 752 719
Changes in the fair value of funds entrusted to the à la Caisse de dépôt et placement du Québec (Note 6)	(5 673 528)	1 346 902
Other interest income	713	991
	(3 054 096)	5 186 836
DECREASE IN ASSETS		
Benefits paid		
Pensions	2 067 540	2 000 681
Transfers, including interest		952 423
Contribution refunds, including interest		13 673
	2 067 540	2 966 777
NET (DECREASE) INCREASE FOR THE YEAR	(5 121 636)	2 220 059
NET ASSETS AVAILABLE FOR BENEFITS – BEGINNING OF YEAR	65 094 246	62 874 187
NET ASSETS AVAILABLE FOR BENEFITS – END OF YEAR	$59 972 610	$65 094 246

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

RETIREMENT PLAN FOR ACTIVE MEMBERS OF THE CENTRE HOSPITALIER CÔTE-DES-NEIGES

NOTES TO FINANCIAL STATEMENTS
December 31, 2001

---

1. DESCRIPTION OF THE PLAN

The following description of the Retirement Plan for Active Members of the Centre hospitalier Côte-des-Neiges is given as a matter of information. To obtain more complete information concerning this plan, please consult Orders-in-Council 2497-81 and 397-78 of the Gouvernement du Québec.

a) General information

The Plan is administered by the Commission administrative des régimes de retraite et d'assurances (CARRA). It is a defined-benefit pension plan offered to active employees of the Centre hospitalier Côte-des-Neiges and certain other hospital centres.

b) Funding

Benefits are funded by contributors according to the contribution rates set by Orders-in-Council 2497-81 and 397-78 and hospital centres, which assume the remainder of the pension benefit obligations.

Expenses related to the administration of this plan are assumed by the Gouvernement du Québec.

c) Retirement benefits

Contributors are entitled to benefits without any actuarial reduction at age 60 or, if they have 30 years' pensionable service, at age 55.

Contributors are entitled to an actuarially reduced pension at age 50 if they have five years' pensionable service.

The pension is calculated by multiplying the average pensionable salary for the six consecutive best-paid years by 2% per year of service (maximum 35 years' service). The pension is reduced beginning at age 65 in order to coordinate it with that of the Québec Pension Plan.

d) Disability pension

The Retirement Plan for Active Members of the Centre hospitalier Côte-des-Neiges provides for payment of a disability pension to an employee who has been disabled. Under certain conditions, the person can choose to receive a pension, a termination allowance or a refund of contributions, plus interest.

e) Death benefits

Upon the death of a contributor or pensioner, the surviving spouse is entitled to a pension equal to 50% of the pension the deceased was receiving or would have received. Each dependent child is eligible to receive a pension equal to 10% of this pension if a pension is paid to the spouse, or to 20% of the pension if no pension is paid to the spouse. In the first case, the total pension awarded to all dependent children must not exceed 40% of the pension the deceased was receiving or would have received, while in the second case, it must not exceed 80% of this pension.

f) Severance benefits

Persons who cease to contribute to the plan before being eligible for an immediate pension are entitled to a deferred pension at age 60 if they have at least 10 years' pensionable service and are aged 45 or over; otherwise, they can choose between a deferred pension or the refund of contributions.

g) Indexation of benefits

Pension benefits under this plan are fully indexed to the cost of living increase.

2. ACCOUNTING POLICIES

These financial statements were prepared by management in accordance with the accounting principles that are generally accepted in Canada. They include amounts based on best estimates and judgements.

Employee and employer contributions

Adjustments to employee and employer contributions are recorded when the amounts are determined.

Funds entrusted to the Caisse de dépôt et placement du Québec

Participation deposits in the individual fund of the Caisse de dépôt et placement du Québec are recorded at fair value, which is established on the basis of the fair value of units, as determined by the Caisse de dépôt et placement du Québec.

The investments of the individual fund are composed primarily of participating units in individual Caisse de dépôt et placement du Québec portfolios. The net gains on the sale of investments earned by these individual portfolios, which are not distributed to the individual fund, are included in the net assets of individual portfolios. These revenues are added to the cost of participation deposits.

3. CAPITALIZATION POLICY

The employee contribution is 7.6% of the pensionable wages less the contributions paid under the Act respecting the Québec Pension Plan (R.S.Q., c. R-9). The hospital centre contribution for current service corresponds to 81% of the employee contribution.

Employee and employer contributions are deposited in the Caisse de dépôt et placement du Québec.

Net assets available for benefit service is more than sufficient to cover all future plan benefits. The parties concerned will have to examine the plan's funding, given the surplus assets. This amount was established at $13.9 million by the Commission's actuaries at December 31, 1994 for the last actuarial valuation designed to determine employee and employer contributions, among other things.

4. FUNDS ENTRUSTED TO THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

	2001	2000
Participation deposits in the individual fund – at fair value (cost- 2001: $69 369 680; 2000: $68 431 333)	$59 668 459	$64 876 779
Demand deposits in the General Fund	5 775	9 611
Revenue receivable from the individual fund	293 228	200 398
	$59 967 462	$65 086 788
Cumulated gains realized, but not yet distributed by the individual portfolios, included in the cost of participation deposits	$13 693 458	$13 754 724

5. PENSION OBLIGATIONS

Valuation of pension obligations

Based on the actuarial valuation prepared using population data as at December 31, 1994 and using the projected-benefit method prorated on services, the Commission's actuaries set the actuarial present value of accrued pension benefits under the Retirement Plan for Active Members of the Centre hospitalier Côte-des-Neiges at $26 175 715 as at that date. The actuarial valuation was extrapolated by the Commission's actuaries to December 31, 2001 and is estimated at $36 582 044.

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

RETIREMENT PLAN FOR ACTIVE MEMBERS OF THE CENTRE HOSPITALIER CÔTE-DES-NEIGES

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001

5. PENSION OBLIGATIONS (cont'd)

Changes in pension obligations

	2001	2000
Actuarial present value of accrued pension benefits - beginning of year	$35 938 453	$35 267 040
Increase		
Interest	2 553 785	2 507 478
Benefits accrued	157 346	178 289
	2 711 131	2 685 767
Decrease		
Benefits paid	2 067 540	2 014 354
Net increase for the year	643 591	671 413
Actuarial present value of accrued pension benefits – end of year	$36 582 044	$35 938 453

Significant long-term economic assumptions

The assumptions used in determining the actuarial present value of accrued pension benefits were established by the Commission's actuaries during the most recent valuation and reflect long-term market trends. Significant long-term economic assumptions used in the valuation were:

Inflation	4.50%
Rate of return net of inflation	3.00%
Salary escalation rate net of inflation	1.50%

6. REVENUE FROM FUNDS ENTRUSTED TO THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

	2001	2000
Net investment income from the individual fund	$2 542 162	$3 741 756
Interest on demand deposits in the General Fund	1 731	10 963
	$2 543 893	$3 752 719
Change in fair value		
Gains realized on the sale of investments	$480 720	$3 364 233
(Losses) Gains realized but not yet distributed by the individual portfolios	(7 581)	6 044 317
Unrealized losses	(6 146 667)	(8 061 648)
	$(5 673 528)	$1 346 902

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

RETIREMENT PLAN FOR ACTIVE MEMBERS OF THE CENTRE HOSPITALIER CÔTE-DES-NEIGES

ACTUARIAL OPINION INTEGRAL TO THE VALUATION OF PENSION OBLIGATIONS AS AT DECEMBER 31, 1994 AND DETERMINED FOR THE PURPOSE OF THE FINANCIAL STATEMENTS OF THE RETIREMENT PLAN FOR ACTIVE MEMBERS OF THE CENTRE HOSPITALIER CÔTE-DES-NEIGES

The Commission's actuaries carried out an actuarial valuation of this plan according to the contributors' profile as at December 31, 1994 based on recommendations made by the Canadian Institute of Chartered Accountants. This valuation reveals that, at that date, pension obligations for this plan amounted to $26 175 715.

In my opinion,

- the data on which this valuation is based are adequate and reliable;
- the actuarial valuation method used is that prescribed by the Canadian Institute of Chartered Accountants, i.e. the projected benefit method prorated on services.

The actuarial assumptions used correspond to those adopted by the Commission's actuaries in the valuation they carried out for funding purposes.

Denis Leclerc, FICA, FSA
Director, Actuarial Service and Development

Québec, May 7, 1998

AUDITOR'S REPORT

To the National Assembly

I have audited the statement of net assets available for benefits of the Retirement Plan for Active Members of the Centre hospitalier Côte-des-Neiges as at December 31, 2001 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of Commission management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

Apart from what is disclosed in the following paragraph, my audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

As disclosed in Note 5, the amount of obligations related to the benefits of the retirement plan for active members of the Centre hospitalier Côte-des-Neiges, which is evaluated at $36 582 044 at December 31, 2001, results from the projection of the actuarial value of the benefits accrued as at December 31, 1994. In the absence of more recent actuarial evaluations than those of December 31, 1994 and in the absence of a revision of the elements that might affect benefit obligations as at December 31, 2001, I was unable to determine whether adjustments should have been made to this amount at that date.

In my opinion, apart from potential adjustment that might be necessary to the amount of obligations related to benefits as at December 31, 2001 indicated in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of this plan as at December 31, 2001 and changes in this position for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis CA
Acting Auditor General of Québec

Québec, March 26, 2002

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES
(R.S.Q., c. R-10)
SPECIAL PENSION PLANS

NET ASSETS AVAILABLE FOR BENEFITS
as at December 31, 2001

	2001	2000
ASSETS		
Investments		
Funds entrusted to the Caisse de dépôt et placement du Québec (Note 4)	$1 594 634	$1 791 191
Accounts receivable		
Employee contributions		512
Employer contributions		1 299
		1 811
Cash on hand	475	276
	1 595 109	1 793 278
LIABILITIES		
Contribution refunds	2 427	10 377
NET ASSETS AVAILABLE FOR BENEFITS (Notes 5 and 6)	$1 592 682	$1 782 901

Luc Bessette
Chairman of the Commission

Michel Lagueux
Assistance Vice-Chairman

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

SPECIAL PENSION PLANS

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
for the year ended December 31, 2001

	2001	2000
INCREASE IN ASSETS		
Employee contributions, including contributions for past service	$2 632	$2 420
Employer contributions, including contributions for past service	11 183	11 730
Revenue from funds entrusted to the Caisse de dépôt et placement du Québec (Note 7)	69 480	80 493
Changes in the fair value of funds entrusted to the Caisse de dépôt et placement du Québec (Note 7)	(147 734)	53 716
	(64 439)	148 359
DECREASE IN ASSETS		
Benefits paid Pensions	125 780	124 998
NET (DECREASE) INCREASE FOR THE YEAR	(190 219)	23 361
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	1 782 901	1 759 540
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	$1 592 682	$1 782 901

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

SPECIAL PENSION PLANS

NOTES TO FINANCIAL STATEMENTS
December 31, 2001

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1. DESCRIPTION OF THE PLANS

Pension plan of the former employees of the City of Saint-Laurent

The following description of the Pension Plan of the Former Employees of the City of Saint-Laurent is given as a matter of information. To obtain more complete information concerning this plan, please consult Order-in-Council 842-82 of the Gouvernement du Québec.

a) General information

The Plan is administered by the Commission administrative des régimes de retraite et d'assurances (CARRA). It is a defined-benefit pension plan offered to former employees of the City of Saint-Laurent's health and social services sector who, since September 19, 1976, have been in a job covered by the Government and Public Employees Retirement Plan (RREGOP).

b) Funding

Benefits are funded by contributors according to the contribution rate set by Order-in-Council 842-82 and by the employer, which assumes the remaining benefit obligations.

Expenses related to the administration of this plan are assumed by the Gouvernement du Québec.

c) Retirement benefits

Contributors are entitled to benefits at age 65 if they are 55 years of age and have 30 years' pensionable service, for men, if they are 50 years of age and have 25 years' pensionable service, for women, or if they have 32 years' pensionable service.

The pension is calculated by multiplying the average pensionable salary for the three consecutive best-paid years by 2.5% per year of service less a percentage of average pensionable earnings to coordinate it with that of the Québec Pension Plan.

d) Death benefits

Upon the death of a person contributing to the Plan, the heirs are entitled to a refund of contributions or, if the person was receiving a pension, the surplus contributions paid over the benefits already paid out.

e) Severance benefits

Persons who cease to contribute to the plan before being eligible for an immediate pension are entitled to a deferred pension at age 65 if they are over 45 and have 10 ten years' pensionable service; otherwise, they are entitled to the refund of contributions.

f) Indexation of benefits

Pension benefits under this plan are not indexed to the cost of living increase.

Pension plan of the former employees of the Town of Westmount

The following description of the Pension Plan of the Former Employees of the Town of Westmount is given as a matter of information. To obtain more complete information concerning this plan, please consult Order-in-Council 2174-84 of the Gouvernement du Québec.

a) General information

The Plan is administered by CARRA. It is a defined-benefit pension plan offered to former employees of the Town of Westmount who contributed to the general pension plan of the Town of Westmount and who were integrated into the Montreal General Hospital as of April 1, 1976.

1. DESCRIPTION OF THE PLANS (cont'd)

Pension plan of the former employees of the Town of Westmount (cont'd)

b) Funding

Benefits are funded by the employer, which assumes the surplus of the total cost of the plan over the portion funded by employee and employer contributions deposited in the Caisse de dépôt et placement du Québec.

Expenses related to the administration of this plan are assumed by the Gouvernement du Québec.

c) Indexation of benefits

Pension benefits under this plan are not indexed to the cost of living increase.

Pension plan for the chairman of the Conseil de la Communauté urbaine de l'Outaouais

The following description of the Pension plan for the chairman of the Conseil de la Communauté urbaine de l'Outaouais is given as a matter of information. To obtain more complete information concerning this plan, please consult Orders-in-Council 2661-76 and 40-89 of the Gouvernement du Québec:

a) General information

The Plan is administered by CARRA. It is defined-contribution pension plan.

b) Funding

Contributions are no longer paid into this plan, with the exception of employer contributions for the purpose of indexing pensions paid.

c) Death benefits

Upon the death of a person who had been receiving a pension for fewer than 15 years, the surviving spouse or heirs is or are entitled to receive the pension until the 15-year period expires, or an amount equal to the pension's present value.

d) Indexation of benefits

Pension benefits under these plans are fully indexed to the cost of living increase.

2. ACCOUNTING POLICIES

These financial statements were prepared by management in accordance with the accounting principles that are generally accepted in Canada. They include amounts based on best estimates and judgements.

Employee and employer contributions

Adjustments to employee and employer contributions are recorded when the amounts are determined.

Funds entrusted to the Caisse de dépôt et placement du Québec

Participation deposits in the individual fund of the Caisse de dépôt et placement du Québec are recorded at fair value, which is established on the basis of the fair value of units, as determined by the Caisse de dépôt et placement du Québec.

The investments of the individual fund are composed primarily of participating units in individual Caisse de dépôt et placement du Québec portfolios. The net gains on the sale of investments earned by these individual portfolios, which are not distributed to the individual fund, are included in the net assets of individual portfolios. These revenues are added to the cost of participation deposits.

3. CAPITALIZATION POLICY

Under section 9.06 of Order-in-Council 842-82 creating the Pension Plan of the Former Employees of the City of Saint-Laurent, CARRA actuaries performed an actuarial valuation for funding purposes. The objectives of this valuation are, among others, to determine employee and employer contributions.

Consequently, the employee contribution for the fiscal year was 5.50% of the pensionable earnings, to the maximum of eligible earnings under the Act respecting the Québec Pension Plan, and 7.0% of the surplus. The employer contribution for current service corresponds to 306% the employee contribution.

Employee and employer contributions are deposited in the Caisse de dépôt et placement du Québec.

4. FUNDS ENTRUSTED TO THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

	2001	2000
Participation deposits in the individual fund – at fair value (cost- 2001: $1 845 738; 2000: $1 883 360)	$1 587 618	$1 785 478
Demand deposits in the General Fund		241
Revenue receivable from the individual fund	7 016	5 472
	$1 594 634	$1 791 191
Cumulated gains realized, but not yet distributed by the individual portfolios, included in the cost of participation deposits	$361 239	$374 759

5. NET ASSETS AVAILABLE FOR BENEFITS

	2001	2000
Defined-benefit pension plans		
Pension Plan of the Former Employees of the City of Saint-Laurent	$1 029 988	$1 145 387
Pension Plan of the Former Employees of the Town of Westmount	275 448	306 943
	1 305 436	1 452 330
Defined-contribution pension plans		
Pension plan for the chairman of the Conseil de la Communauté urbaine de l'Outaouais	287 246	330 571
	$1 592 682	$1 782 901

6. PENSION OBLIGATIONS

Valuation of pension obligations

Based on the actuarial valuation prepared using population data as at December 31, 1995 and using the projected benefits method prorated on services, the Commission's actuaries set the actuarial present value of accrued pension benefits under the special defined-benefit pension plans at $840 441 for the Pension Plan of the Former Employees of the City of Saint-Laurent and at $176 968 for the Pension Plan of the Former Employees of the Town of Westmount. These actuarial valuations were extrapolated by the Commission's actuaries to December 31, 2001 and are estimated as follows:

6. PENSION OBLIGATIONS (cont'd)

Valuation of pension obligations (cont'd)

	2001	2000
Pension Plan of the Former Employees of the City of Saint-Laurent	$877 848	$881 482
Pension Plan of the Former Employees of the Town of Westmount	135 575	143 691
	$1 013 423	$1 025 173

Changes in pension obligations

	2001	2000
Pension Plan of the Former Employees of the City of Saint-Laurent **Pension Plan of the Former Employees of the Town of Westmount**		
Actuarial present value of accrued pension benefits, beginning of year	$1 025 173	$1 037 022
Increase		
Interest	68 938	69 736
Benefits accrued	10 325	9 494
	79 263	79 230
Decrease		
Benefits paid	91 013	91 079
Net decrease for the year	11 750	11 849
Actuarial present value of accrued pension benefits, end of year	$1 013 423	$1 025 173

Significant long-term economic assumptions

The assumptions used in determining the actuarial present value of accrued pension benefits reflect long-term market trends. The significant long-term economic assumption used was the nominal rate of return, or 7%.

The Commission's actuaries set the actuarial present value of obligations under the pension plan for the chairman of the Conseil de la Communauté urbaine de l'Outaouais at $256 943 as at December 31, 2001 December 31, 2000: $268 681).

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

SPECIAL PENSION PLANS

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001

7. REVENUE FROM FUNDS ENTRUSTED TO THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

	2001	2000
Net investment income from the individual fund	$69 369	$80 431
Interest on demand deposits in the General Fund	111	62
	$69 480	$80 493
Change in fair value		
Gains realized on the sale of investments	$13 109	$92 590
(Losses) Gains realized but not yet distributed by individual portfolios	(605)	179 609
Unrealized losses	(160 238)	(218 483)
	$(147 734)	$53 716

ACTUARIAL OPINION INTEGRAL TO THE VALUATION OF PENSION OBLIGATIONS AS AT DECEMBER 31, 1995 AND DETERMINED FOR THE PURPOSE OF THE FINANCIAL STATEMENTS OF THE PENSION PLAN OF THE FORMER EMPLOYEES OF THE CITY OF SAINT-LAURENT AND THE PENSION PLAN OF THE FORMER EMPLOYEES OF THE TOWN OF WESTMOUNT

The Commission's actuaries carried out an actuarial valuation of these plans according to the contributors' profile as at December 31, 1995 based on recommendations made by the Canadian Institute of Chartered Accountants. This valuation reveals that, at that date, pension obligations for these plans amounted to $1 017 409.

In my opinion,

- the data on which this valuation is based are adequate and reliable;
- the assumptions on which this valuation is based are adequate and appropriate;
- the actuarial valuation method used is the projected benefit method prorated on services.

Denis Leclerc, FICA, FSA
Director, Actuarial Service and Development

Québec, April 22, 1997

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

SPECIAL PENSION PLANS

AUDITOR'S REPORT

To the National Assembly

I have audited the statement of net assets available for benefits of the special pension plans mentioned in Note 1 as at December 31, 2001 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of Commission management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

Apart from what is disclosed in the following paragraph, my audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

As disclosed in Note 6, the amount of obligations related to the benefits of Pension Plan of the Former Employees of the City of Saint-Laurent and the Pension Plan of the Former Employees of the Town of Westmount, which are evaluated respectively at $877 848 and $135 575 as at December 31, 2001, results from the projection of the actuarial value of the benefits accrued as at December 31, 1995. In the absence of more recent actuarial evaluations than those of December 31, 1995 and in the absence of the revision of elements that might affect benefit obligations as at December 31, 2001, I was unable to determine whether adjustments should have been made to this amount at that date.

In my opinion, with the exception of the potential adjustments that might be necessary to the amount of obligations related to benefits as at December 31, 2001 indicated in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of these plans as at December 31, 2001 and the changes in this position for the year then ended, in accordance with generally accepted accounting principles in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, March 26, 2002

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES
(R.S.Q., c. R-10)
PENSION PLANS OF THE MEMBERS OF THE NATIONAL ASSEMBLY AND SPECIAL PENSION PLAN
(R.S.Q., c. C-52.1)
STATEMENT OF CONTRIBUTIONS AND BENEFITS
for the year ended December 31, 2001
(in thousands of dollars)

	2001	2000
CONTRIBUTIONS		
Employee contributions, including contributions for past service		
Pension Plan of the Members of the National Assembly	963	860
Interest revenue	3	5
AMOUNTS DEPOSITED IN THE CONSOLIDATED REVENUE FUND	966	865

	2001		2000	
BENEFITS				
Benefits paid				
Pensions				
Pension Plan of the Members of the National Assembly	7 560		7 565	
Supplement pension plan for members of the National Assembly	1 286		1 268	
Special Pension	12	8 858	12	8 845
Contribution refunds and transfer including interest				
Pension Plan of the Members of the National Assembly		521		29
Administrative expenses				
Pension Plan of the Members of the National Assembly		22		25
AMOUNTS TAKEN FROM THE CONSOLIDATED REVENUE FUND TO PAY BENEFITS AND ADMINISTRATIVE EXPENSES		9 401		8 899

PENSION OBLIGATIONS (Note 4)
LIABILITY RECORDED IN THE GOVERNMENT'S FINANCIAL STATEMENTS (Note 5)

Luc Bessette
Chairman of the Commission

Michel Lagueux
Assistant Vice-Chairman

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLANS OF THE MEMBERS OF THE NATIONAL ASSEMBLY AND SPECIAL PENSION PLAN

NOTES TO FINANCIAL STATEMENTS
December 31, 2001
(in thousands of dollars)

1. DESCRIPTION OF THE PLANS

Pension plan of the members of the National Assembly
Supplemental pension plan for members of the National Assembly
Special Pension Plan

The following description is given as a matter of information. To obtain more complete information concerning these plans, please consult the following official texts:

- the Act respecting the conditions of employment and the pension plan of the Members of the National Assembly (R.S.Q., c. C-52.1) and section 94 of the Act respecting the Legislative Council (S.Q. 1968, c. 9);
- the Regulation respecting the supplemental pension plan of members of the National Assembly;
- the Act granting a pension to the widow of Pierre Laporte (Q.S., 1970, c. 6).

a) General information

The Pension Plan of the Members of the National Assembly (PPMNA) and the Supplemental pension plan of members of the National Assembly (SPPMNA) are administered by the Commission administrative des régimes de retraite et d'assurances (CARRA). They are defined-benefit pension plans offered to the Members of the National Assembly. The special pension constitutes the benefits granted to the widow of Pierre Laporte.

b) Funding

For the PPMNA, benefits are funded by participants according to the contribution rate set by the Act and by the Government, which assumes the remaining benefit obligations.

For the SPPMNA and the special pension, benefits are entirely funded by the Government.

c) Retirement benefits

A contributor who ceases to be a Member of the National Assembly is entitled to benefits without any actuarial reduction at age 60, or to an actuarially reduced pension if he or she is under 60. However, this pension is payable, at the latest, on December 31 of the year in which the contributor turns 69, even if he or she is still a Member of the National Assembly.

The pension is equal to total pension credits calculated annually by multiplying the admissible indemnity received by 1.75%, without exceeding 25 years' participation. These pension credits are indexed to the cost of living increase up until the time the contributor retires.

Any contributor who was an MNA prior to January 1, 1983 and at January 1, 1992, is also entitled to a pension equal to 75% of total contributions credited prior to January 1, 1983, which were not reimbursed and which were indexed until December 31, 1996.

Contributors acquire the right to SPPMNA benefits the date they acquire the right to a retirement pension under the basic plan. The benefit equals the total of the amounts calculated annually, which corresponds to the surplus of 4% of the total annual compensation over the pension credit calculated according to the PPMNA. Benefits are indexed to the rise in the cost of living until the contributor retires.

The amount of the special pension paid to the widow of Pierre Laporte was set by law.

d) Death benefits

Upon the death of a person contributing to the PPMNA or receiving retirement pension benefits, the surviving spouse is entitled to a pension equal to 60% of the pension the deceased was receiving or would have received. Each dependent child is eligible to receive a pension equal to 10% of this pension or, if no pension is paid to the spouse, to 20% of the pension.

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLANS OF THE MEMBERS OF THE NATIONAL ASSEMBLY AND PECIAL PENSION PLAN

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

1. DESCRIPTION OF THE PLANS (cont'd)

d) Death benefits (cont'd)

Contributors who, before January 1, 1992, had opted to continue their pension at 50% or 100% in favour of the surviving spouse, the option chosen remains applicable.

The pension paid to the spouse and dependent children, or to the latter alone, cannot exceed the amount of pension the Member was receiving or would have received.

The rules apply to both the basic plan and the SPPMNA.

e) Severance benefits

Under certain conditions, persons who cease to contribute to the PPMNA before being eligible for an immediate pension are entitled to the refund of the actuarial value of the pension.

f) Indexation of benefits

Pension benefits under the PPMNA and SPPMNA are fully indexed to the cost of living increase for that portion of the pension which corresponds to vested service prior to January 1, 1983, and are partially indexed for that portion of the pension which corresponds to vested service after December 31, 1982.

2. ACCOUNTING POLICIES

This financial statement was prepared by management in accordance with the accounting principles that are generally accepted in Canada. This statement includes amounts based on best estimates and judgements. Since the plans have no assets, no statement of assets available for benefit service has been presented.

Employee contributions

Adjustments to employee contributions are recorded when the amounts are determined.

3. CAPITALIZATION POLICY

The employee contribution for the fiscal year to the PPMNA is 9% of pensionable earnings. The SPPMNA is not contributory.

Employee contributions are deposited in the Consolidated Revenue Fund. The Act does not oblige the Government to contribute to these plans. However, it must be able to pay out all benefits when they become payable, by taking amounts from the Consolidated Revenue Fund.

4. PENSION OBLIGATIONS

In keeping with the accounting principles that are generally accepted in Canada, pension obligations must be determined according to the projected benefit method prorated on service and the most probable assumptions in the opinion of the plan administrator. However, since the average career of contributors is relatively short and the benefits acquired are determined based on earnings, the accumulated benefit method is used.

The assumptions chosen by CARRA are the same as those adopted by the Government in 1995 in the context of the preparation of its financial statements for the purpose of recording its pension costs.

CARRA actuaries established the actuarial value of accrued benefits for the PPMNA and the SPPMNA at $127 336 094 as at December 31, 1996 and estimated it at $151 615 000 as at December 31, 2001.

4. PENSION OBLIGATIONS (cont'd)

Change in pension obligations

	2001	2000
Actuarial present value of accrued pension benefits – beginning of year	146 869	141 015
Increase		
Interest	9 885	10 940
Benefits accrued	4 228	3 776
	14 113	14 716
Decrease		
Benefits paid	9 367	8 862
Net increase for the year	4 746	5 854
Actuarial present value of accrued pension benefits – end of year	151 615	146 869

Significant long-term economic assumptions

The assumptions used in determining the actuarial present value of accrued pension benefits were:

Inflation	3.00 %
Rate of return net of inflation	4.30

5. LIABILITY RECORDED IN THE GOVERNMENT'S FINANCIAL STATEMENTS

Since the Government has not created a pension fund for these plans, it records, as a liability in the financial statements, an amount established based on the value of benefits promised for which it is responsible, in keeping with generally recognized accounting policies applicable to the public sector in Canada. This amount corresponds to the accumulation of the pension costs and interest over obligations, minus benefits paid. To this amount are added the amounts deposited for the plans in the Consolidated Revenue Fund.

The pension costs for the plans correspond to the sum of the cost of accrued benefits, changes to this plan during the year and the amortization of adjustments for estimates resulting from actuarial gains or losses.

The cost of accrued benefits is evaluated according to the accumulated benefit method prorated based on service and the most probable assumptions determined by the Government.

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLANS OF THE MEMBERS OF THE NATIONAL ASSEMBLY AND SPECIAL PENSION PLAN

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

5. LIABILITY RECORDED IN THE GOVERNMENT'S FINANCIAL STATEMENTS (cont'd)

Change in the liability recorded in the Government's financial statements

	2001	2000
Liability recorded in the Government's financial statements as at March 31 of the previous fiscal year	140 592	135 643
Increase		
Contributions recovered	938	851
Pension costs		
Current service	3 203	2 914
Interest	10 939	10 674
	15 080	14 439
Decrease		
Benefits and administrative expenses paid by the Gouvernement du Québec	8 848	9 490
Net increase	6 232	4 949
Liability recorded in the Government's financial statements as at March 31 of the current fiscal year	146 824	140 592
Estimated liability recorded as at December 31	149 967	144 941

The Financial Administration Act (R.S.Q., c. A-6) authorizes the Minister of Finance to create a sinking fund with the Caisse de dépôt et placement du Québec to provide for payment of part or all Government retirement plan benefits. The Government may invest amounts in this fund to a maximum of the amount recorded as a liability in its financial statements under retirement plans, before deduction of the balance of this fund (March 31, 2001: $46 170 billion). At December 31, 2001, the fair value of the funds entrusted to the Caisse de dépôt et placement du Québec for this purpose was $8 978 billion, $3 529 billion of which are slated for the Government and Public Employees Retirement Plan (RREGOP) and $558 million for the Pension Plan of Management Personnel.

6. COMPARATIVE FIGURES

Certain 2000 figures were reclassified for consistency with the presentation adopted in 2001.

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLANS OF THE MEMBERS OF THE NATIONAL ASSEMBLY AND SPECIAL PENSION PLAN

ACTUARIAL OPINION INTEGRAL TO THE VALUATION OF PENSION OBLIGATIONS AS AT DECEMBER 31, 1996 AND DETERMINED FOR THE PURPOSES OF THE FINANCIAL STATEMENTS OF THE PENSION PLAN OF THE MEMBERS OF THE NATIONAL ASSEMBLY

The Commission's actuaries carried out an actuarial valuation of this plan according to the contributors' profile as at December 31, 1996 in order to determine the value of the obligations to be recorded in the plan's financial statement. The actuarial assumptions used correspond to those adopted by the Government in 1995 for the preparation of its financial statements. This valuation reveals that, at that date, pension obligations for this plan amounted to $103 010 000.

In my opinion,

- the data on which this valuation is based are adequate and reliable;
- the results of this valuation were arrived at in keeping with the requirements of Section 4100 of the CICA (Canadian Institute of Chartered Accounts) Handbook.

I have reproduced this valuation and express this opinion in keeping with accepted actuarial practice.

Denis Leclerc, FICA, FSA
Director, Actuarial Service and Development

Québec, May 19, 1999

ACTUARIAL OPINION INTEGRAL TO THE VALUATION OF PENSION OBLIGATIONS AS AT DECEMBER 31, 1996 AND DETERMINED FOR THE PURPOSES OF THE FINANCIAL STATEMENTS OF THE SUPPLEMENTAL PENSION PLAN FOR MEMBERS OF THE NATIONAL ASSEMBLY

The Commission's actuaries carried out an actuarial valuation of this plan according to the contributors' profile as at December 31, 1996 in order to determine the value of the obligations to be recorded in the plan's financial statement. The actuarial assumptions used correspond to those adopted by the Government in 1995 for the preparation of its financial statements. This valuation reveals that, at that date, pension obligations for this plan amounted to $24 326 094.

In our opinion,

- the data on which this valuation is based are adequate and reliable;
- the results of this valuation were arrived at in keeping with the requirements of Section 4100 of the CICA (Canadian Institute of Chartered Accounts) Handbook.

I have reproduced this valuation and express this opinion in keeping with accepted actuarial practice.

Denis Leclerc, FICA, FSA
Director, Actuarial Service and Development

Québec, May 19, 1999

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

PENSION PLANS OF THE MEMBERS OF THE NATIONAL ASSEMBLY AND SPECIAL PENSION PLAN

AUDITOR'S REPORT

To the National Assembly

I have audited the statement of contributions and benefits of the pension plans of the Members of the National Assembly and of the special pension plan for the year ended December 31, 2001. This financial statement is the responsibility of Commission management. My responsibility consists in expressing an opinion on this financial statement based on my audit.

Apart from what is disclosed in the following paragraph, my audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statement is free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. It also includes assessing the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

As disclosed in Note 4, the amount of obligations related to the pension plan benefits of members of the National Assembly and the supplemental pension plan for members of the National Assembly, which was evaluated at $151 615 000 at December 31, 2001, results from the projection of the actuarial value of the benefits accrued as at December 31, 1996. In the absence of more recent actuarial evaluations than those of December 31, 1996 and n the absence of the revision of elements that might affect the amount of benefit obligations as at December 31, 2001, I was unable to determine whether adjustments should have been made to this amount at that date.

In my opinion, apart from the effect of potential adjustments that might have been necessary to the amount of obligations related to benefits as at December 31, 2001 and indicated in the preceding paragraph, this financial statement presents fairly, in all material respects, the contributions and benefits for these plans for the year ended December 31, 2001, in accordance with generally accepted accounting principles in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, March 22, 2002

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES
(R.S.Q., c. R-10)
BASIC LIFE INSURANCE PLAN FOR EMPLOYEES OF THE PUBLIC AND PARAPUBLIC SECTORS
SUPPLEMENTARY LIFE INSURANCE PLAN FOR EMPLOYEES AND PENSIONERS OF THE COMMISSION DE LA SANTÉ ET DE LA SÉCURITÉ DU TRAVAIL
REVENUE AND EXPENDITURE
for the year ended December 31, 2001

	2001	2000
REVENUE		
Basic plan – employer contributions from agencies	$270 999	$216 114
Supplementary plan – employee premiums and employer contribution	52 074	12 037
Revenue paid into the Consolidated Revenue Fund of the Gouvernement du Québec	$323 073	$228 151
EXPENDITURE		
Death benefits		
Basic plan	$2 402 683	$2 704 000
Supplementary plan	33 600	96 000
Benefits paid out of the Consolidated Revenue Fund of the Gouvernement du Québec	$2 436 283	$2 800 000

Luc Bessette
Chairman of the Commission

Michel Lagueux
Assistant Vice-Chairman

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES
BASIC LIFE INSURANCE PLAN FOR EMPLOYEES OF THE PUBLIC AND PARAPUBLIC SECTORS
SUPPLEMENTARY LIFE INSURANCE PLAN FOR EMPLOYEES AND PENSIONERS OF THE COMMISSION DE LA SANTÉ ET DE LA SÉCURITÉ DU TRAVAIL

NOTES TO FINANCIAL STATEMENT
December 31, 2001

1. PURPOSE

The basic life insurance plan for employees of the public and parapublic sectors provides for the payment of death benefits under certain conditions.

The supplementary life insurance plan applies only to certain employees and pensioners of the Commission de la santé et de la sécurité du travail and provides for the payment of death benefits under certain conditions.

Revenue included in this financial statement is collected by the Conseil du trésor.

2. ACCOUNTING POLICIES

The financial statement for these two life insurance plans was prepared by management on the cash basis.

AUDITOR'S REPORT

To the National Assembly

I have audited the statement of revenue and expenditure of the basic life insurance plan for employees of the public and parapublic sectors and the supplementary life insurance plan for employees and pensioners of the Commission de la santé et de la sécurité du travail for the year ended December 31, 2001. This financial statement is the responsibility of Commission administrative des régimes de retraite et d'assurances management. My responsibility consists in expressing an opinion on this financial statement based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statement is free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. It also includes assessing the accounting policy used and evaluating the overall financial statement presentation.

In my opinion, this financial statement presents fairly, in all material respects, the revenue and expenditure of these life insurance plans for the year ended December 31, 2001, in accordance with the accounting policy disclosed in Note 2. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, this policy was applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, March 6, 2002

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES
(R.S.Q., c. R-10)

REVENUE AND EXPENDITURE AND SURPLUS
for the year ended December 31, 2001

	2001 (Note 9)	2000 (Note 9)
EXPENDITURE		
Salaries and fringe benefits	$23 498 586	$22 666 698
Professional fees	4 093 711	4 165 246
Communications and transportation	1 512 404	2 037 677
Space and equipment rental	1 850 293	1 586 454
Equipment	686 160	696 610
Office supplies	227 831	218 131
Maintenance and repairs	548 835	311 796
Interest on long-term debt	50 527	17 741
Other expenses	80 482	104 563
Write-off of computer system development	1 942 028	
Depreciation of fixed assets	1 608 273	1 600 965
	36 099 130	33 405 881
REVENUE		
Expenses assumed by the Government and Public Employees Retirement Plan		
Employee contributions fund	13 256 526	12 278 770
Employer contributions fund	12 477 280	12 280 045
Expenses assumed by the Pension Plan of Management Personnel		
Employee contributions fund	1 431 956	968 560
Employer contributions fund	1 178 228	967 285
Other plans	6 743 286	6 798 195
Other sources	528 189	515 975
	35 615 465	33 808 830
(DEFICIT) SURPLUS FOR THE YEAR	(483 665)	402 949
SURPLUS – BEGINNING OF YEAR	657 181	254 232
SURPLUS – END OF YEAR	$173 516	$657 181

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

BALANCE SHEET
as at December 31, 2001

	2001	2000
ASSETS		
Current assets		
Cash on hand	$476 531	$652 975
Accounts receivable	1 572 322	1 914 537
Short-term investments – at cost (2.30%)	2 470 243	543 617
Accrued interest on investments	6 053	8 262
	4 525 149	3 119 391
Investments (Note 3)	745 236	1 125 364
Fixed assets (Note 4)	5 505 902	6 440 431
Owed by the Secrétariat du Conseil du trésor (Note 7)	1 206 487	3 192 824
Owed by the pension plans (Note 7)	4 058 391	3 383 323
	11 516 016	14 141 942
	$16 041 165	$17 261 333
LIABILITIES		
Current liabilities		
Accounts payable and accruals	$1 961 933	$2 446 953
Instalments on long-term debt (Note 5)	24 892	32 755
	1 986 825	2 479 708
Long-term debt (Note 5)	455 253	14 413
Deferred contributions (Note 6)	6 174 355	7 533 884
Provision for sick leave and vacation time (Note 7)	7 251 216	6 576 147
	15 867 649	16 604 152
SURPLUS	173 516	657 181
	$16 041 165	$17 261 333

Luc Bessette
Chairman of the Commission

Michel Lagueux
Assistant to the Vice-President

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

CASH FLOWS
for the year ended December 31, 2001

	2001	2000
OPERATING ACTIVITIES		
(Deficit) Surplus for the year	$(483 665)	$402 949
Items not affecting liquid assets		
Depreciation of fixed assets	1 608 273	1 600 965
Write-off of computer system development	1 942 028	
Transfer of deferred contributions	(3 975 301)	(1 821 780)
	(908 665)	182 134
Changes in assets and liabilities related to operation		
Accounts receivable	342 215	(510 045)
Accrued interest on investments	2 209	(655)
Owed by the Secrétariat du Conseil du trésor	1 986 337	1 080 897
Owed by the pension plans	(675 068)	(1 564 908)
Accounts payable and accruals	(485 020)	651 776
Deferred contributions	2 615 772	1 566 780
Provisions for sick leave and vacation time	675 069	484 011
	4 461 514	1 707 856
Cash flows from operating activities	3 552 849	1 889 990
FINANCING ACTIVITIES		
Cash flows used for financing activities		
Long-term debt	644 088	
Repayment of the long-term debt	(211 111)	(320 665)
	432 977	(320 665)
INVESTMENT ACTIVITIES		
Cash flows used for investment activities		
Acquisition of fixed assets	(2 615 772)	(1 566 780)
Investments	380 128	188 904
	(2 235 644)	(1 377 876)
INCREASE IN CASH AND CASH EQUIVALENTS	1 750 182	191 449
CASH AND CASH-EQUIVALENTS – BEGINNING OF YEAR	1 196 592	1 005 143
CASH AND CASH EQUIVALENTS – END OF YEAR (Note 8)	$2 946 774	$1 196 592

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

NOTES TO FINANCIAL STATEMENT
December 31, 2001

1. CONSTITUTION, PURPOSE AND FINANCING

The Commission administrative des régimes de retraite et d'assurances (CARRA) was established by the Act respecting the Government and Public Employees Retirement Plan (R.S.Q., c. R-10) for the purpose of administering this plan and any other pension or insurance plan whose management is assigned to the Commission by an act or by the Gouvernement du Québec.

2. ACCOUNTING POLICIES

The financial statements of CARRA were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Fixed assets

Fixed assets are recorded at cost and depreciated on straight-line basis at the rate of 20%.

Short-term investments

Short-term investments are recorded at the lower of cost and fair value.

Deferred contributions

Contributions are deferred and posted to the statement of revenue and expenditure and surplus as the expenses to which they correspond.

Pension plans

The accounting procedure used for defined contribution plans is applied to interenterprise government defined-benefit plans, given that CARRA lacks sufficient information to apply the accounting procedure for defined-benefit plans.

Cash and cash equivalents

CARRA's policy consists in presenting under cash and cash equivalents bank balances and short-term investments maturing within three months of the date they were acquired.

3. SHORT-TERM INVESTMENTS

Term deposits with the Caisse de dépôt et placement du Québec	2001	2000
RREGOP participants fund	$342 944	$521 486
PPMP participants fund	29 674	41 196
Gouvernement du Québec	372 618	562 682
	$745 236	$1 125 364

These demand deposits bear interest at a rate of 2.30%. Representatives of RREGOP participants, PPMP participants and the Gouvernement du Québec agreed to provide CARRA with funding to upgrade its computer systems. CARRA received an initial amount of $2 156 000, that is, $1 000 000 from the RREGOP participants fund, $78 000 from the PPMP participants fund and $1 078 000 from the Gouvernement du Québec. The balance of the initial amount, including cumulated interest, was $745 236 as at December 31, 2001.

NOTES TO FINANCIAL STATEMENT (cont'd)
December 31, 2001

4. FIXED ASSETS

	2001			2000
	Cost	Accumulated depreciation	Net	Net
Integrated furniture	$2 122 159	$1 404 167	$717 992	$369 518
Computer equipment and software	1 279 008	629 133	649 875	746 365
Development of information systems	6 929 867	2 791 832	4 138 035	5 324 548
	$10 331 034	$4 825 132	$5 505 902	$6 440 431

5. LONG-TERM DEBT

In 2001, CARRA acquired furniture and had development work done for $644 088, which is funded by the Société immobilière du Québec at a rate of 6.68%. This amount is repayable in monthly instalments of $14 199 payable until September 30, 2006. The portion of the development work done before 2001 is funded by the Société immobilière du Québec at a rate of 7.76% and CARRA repays the cost in monthly instalments of $2 939 payable until May 31, 2002.

	2001	2000
Outstanding principal	$480 145	$47 168
Payment due within one year	24 892	32 755
	$455 253	$14 413

The amount of capital and interest to be paid over the next five fiscal years is as follows:

Fiscal year	Capital	Interest	Total
2002	$24 892	$910	$25 802
2003	117 741	26 851	144 592
2004	125 851	18 740	144 591
2005	134 521	10 070	144 591
2006	77 140	1 918	79 058
	$480 145	$58 489	$538 634

6. DEFERRED CONTRIBUTIONS

	2001	2000
Deferred contributions– beginning of the year	$7 533 884	$7 788 884
Deferred contributions for the fiscal year		
Funding from plans	2 615 772	1 566 780
	10 149 656	9 355 664
Transfer of deferred contributions from previous years	(3 975 301)	(1 821 780)
Deferred contributions– end of year	$6 174 355	$7 533 884

NOTES TO FINANCIAL STATEMENT (cont'd)
December 31, 2001

7. FUTURE FRINGE BENEFITS

Pension plans

The staff members of CARRA participate in the Government and Public Employees Retirement Plan, the Pension Plan of Management Personnel and the Civil Service Superannuation Plan. These are interenterprise defined-benefit plans and include guaranteed payments upon retirement and death.

The CARRA's contributions charged to the year-end statement amount to $720 824 (2000: $829 642). CARRA's liability towards these Government plans is restricted to its contributions as an employer.

Provision for sick leave and vacation time

	2001			2000
	Sick leave	Vacation time	Total	Total
Opening balance	$4 673 388	$1 902 759	$6 576 147	$6 092 136
Expenses for the year	490 557	184 512	675 069	484 011
Closing balance	$5 163 945	$2 087 271	$7 251 216	$6 576 147

The provision for sick leave and vacation time can be recovered in its entirety from the Secrétariat du Conseil du trésor and various retirement pension plans. At December 31, 2001, the balance receivable was $1 206 487 (2000: $3 192 824) and $4 058 391 (2000: $3 383 323 $) respectively.

8. CASH FLOWS

The cash and cash equivalents appearing in the cash flow statement include the following amounts recorded in the balance sheet:

	2001	2000
Cash	$476 531	$652 975
Short-term investments	2 470 243	543 617
	$2 946 774	$1 196 592

The interest paid by CARRA over the fiscal year was $50 527 (2000: $17 741).

9. CARRA BUDGET

CARRA's annual budget is determined by the Government. The Government also determines, in accordance with the applicable agreements, where such agreements exist, the portion of CARRA's budget allocated to RREGOP participants, that allocated to PPMP participants and that allocated to participants of the pension plans administered by CARRA.

10. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements and recorded at exchange value, the CARRA is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or to either joint control or significant influence by the Gouvernement du Québec. CARRA did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

11. LOCAL FUND FOR THE RETIREMENT PREPARATION PROGRAM

CARRA has administered a retirement preparation program for employees of the Gouvernement du Québec. CARRA has been authorized to bill the government departments and agencies for the costs related to meetings and to establish a local fund for this purpose. Fund transactions break down as follows:

	2001	2000
Opening fund balance	$29 241	$57 928
Revenue	513 650	345 968
Expenditure	(522 664)	(374 655)
Closing fund balance	$20 227	$29 241

12. COMPARATIVE FIGURES

Certain 2000 figures were reclassified for consistency with the presentation adopted in 2001.

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

MANAGEMENT'S REPORT

The financial statements of CARRA were drawn up by management, which is responsible for their preparation, presentation and the significant estimates and judgements included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada, which are disclosed in Note 2 of the financial statements, where applicable. All other financial information contained in the annual report is consistent with that presented in the financial statements. In the case of estimates, they were made to the best of management's knowledge.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The internal audit department periodically audits different areas of CARRA's operations. This audit includes reviewing and assessing the existence, relevance and adequacy of management's internal accounting controls.

CARRA recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

CARRA actuaries carry out an actuarial valuation every three years as well as an annual estimate of the pension obligations entered in CARRA's financial statements in accordance with generally accepted actuarial practices. They report the results of their valuation to CARRA.

The Auditor General of Québec has audited the CARRA's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the audit committees to discuss any element concerning his audit.

Luc Bessette
Chairman of the Commission

Michel Lagueux
Assistant Vice-Chairman

Québec, April 24, 2002

COMMISSION ADMINISTRATIVE DES RÉGIMES DE RETRAITE ET D'ASSURANCES

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Commission administrative des régimes de retraite et d'assurances for the year ended December 31, 2001 and the statements of revenue, expenditure, surplus and of cash flows for the year then ended. This financial statement is the responsibility of Commission management. My responsibility consists in expressing an opinion on this financial statement based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. It also includes assessing the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Commission's financial position as at December 31, 2001 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, March 26, 2002

COMMISSION DE LA CAPITALE NATIONALE DU QUÉBEC
(R.S.Q., c. C-33.1)

INCOME
for the year ended March 31, 2002

	2002			2001
	Current transactions	Fund to develop and enhance the capital	Total	Total (Note 3)
REVENUE				
Gouvernement du Québec subsidies (Note 4)	$15 476 729		$15 476 729	$16 929 617
Partners' contributions (Note 5)	12 230 575		12 230 575	2 063 068
Interest	423 800	$56 940	480 740	477 848
Rental income	60 456		60 456	40 333
Other	149 733		149 733	30 176
	28 341 293	56 940	28 398 233	19 541 042
EXPENDITURE				
Financial assistance	2 818 097	87 725	2 905 822	11 164 567
Salaries and fringe benefits	2 357 223		2 357 223	2 004 702
Taxes	706 669		706 669	756 786
Professional and administrative services	16 673 023	2 052 776	18 725 799	5 000 352
Transportation and communications	484 395		484 395	386 482
Maintenance and repairs	488 903		488 903	389 441
Materials and supplies	878 797	23 738	902 535	295 621
Rent	577 185		577 185	527 523
Depreciation of fixed assets	829 418		829 418	790 717
Interest on long-term debt	416 660		416 660	149 111
	26 230 370	2 164 239	28 394 609	21 465 302
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE	$2 110 923	$(2 107 299)	$3 624	$(1 924 260)

CHANGE IN FUND BALANCES
for the year ended March 31, 2002

	2002			2001
	Current transactions	Fund to develop and enhance the capital	Total	Total (Note 3)
FUND BALANCES, BEGINNING OF YEAR				
Fund balance established	$2 110 144	$2 966 354	$5 076 498	$7 004 054
Adjustment (Note 3)	(37 259)		(37 259)	(40 555)
Adjusted fund balance	2 072 885	2 966 354	5 039 239	6 963 499
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE	2 110 923	(2 107 299)	3 624	(1 924 260)
Inter-fund transfer (Note 6)	(2 681 013)	2 681 013		
FUND BALANCES, END OF YEAR	$1 502 795	$3 540 068	$5 042 863	$5 039 239

COMMISSION DE LA CAPITALE NATIONALE DU QUÉBEC

BALANCE SHEET
as at March 31, 2002

	2002			2001
	Current transactions	Fund to develop and enhance the capital	Total	Total (Note 3)
ASSETS				
Current assets				
Cash on hand (Note 7)	$11 765 592	$1 092 881	$12 858 473	$6 886 247
Accounts receivable and interest accrued	116 934	1 918	118 852	50 935
Inter-fund receivables, interest-free and no repayment terms		2 681 013		
Prepaid expenses	228 915		228 915	185 732
Gouvernement du Québec subsidies receivable (Note 8)	1 435 031		1 435 031	531 000
Contributions receivable (Note 9)	1 049 352		1 049 352	1 879 287
Assets intended for sale	2 153 202		2 153 202	
	16 749 026	3 775 812	17 843 825	9 533 201
Cash reserved for the acquisition of fixed assets	2 088 450		2 088 450	
Gouvernement du Québec subsidies receivable (Note 8)	13 184 409		13 184 409	
Deferred expenses	99 393		99 393	
Fixed assets (Note 10)	6 993 482		6 993 482	2 589 158
	$39 114 760	$3 775 812	$40 209 559	$12 122 359

COMMISSION DE LA CAPITALE NATIONALE DU QUÉBEC

BALANCE SHEET (cont'd)
as at March 31, 2002

	2002			2001
	Current transactions	Fund to develop and enhance the capital	Total	Total (Note 3)
LIABILITIES				
Current liabilities				
Accounts payable and accruals	$2 745 069	$235 744	$2 980 813	$654 862
Provision for vacation time	129 115		129 115	142 089
Interest accrued	218 683		218 683	33 780
Inter-fund receivables, interest-free and no repayment terms	2 681 013			
Deferred Gouvernement du Québec subsidies (Note 12)	7 019 488		7 019 488	1 912 483
Deferred contributions (Note 13)	260 004		260 004	2 100 904
Portion of the debt due in less than one year (Note 14)	1 946 862		1 946 862	616 212
	15 000 234	235 744	12 554 965	5 460 330
Deferred Gouvernement du Québec subsidies (Note 12)	1 319 900		1 319 900	
Deferred contributions (Note 13)	88 991		88 991	128 859
Long-term debt (Note 14)	15 842 041		15 842 041	1 218 931
Gouvernement du Québec advance, interest-free and no repayment terms	275 000		275 000	275 000
	32 526 166	235 744	30 080 897	7 083 120
EQUITY				
Gouvernement du Québec contribution (Note 15)	5 085 799		5 085 799	
Fund balances	1 502 795	3 540 068	5 042 863	5 039 239
	6 588 594	3 540 068	10 128 662	5 039 239
	$39 114 760	$3 775 812	$40 209 559	$12 122 359

COMMITMENTS (Note 16)

On behalf of the Board of Directors,
Pierre Boucher
Jacques Lemieux

COMMISSION DE LA CAPITALE NATIONALE DU QUÉBEC

CASH FLOWS
for the year ended March 31, 2002

	2002			2001
	Current transactions	Fund to develop and enhance the capital	Total	Total (Note 3)
OPERATING ACTIVITIES				
Excess (deficiency) of revenue over expenditure	$2 110 923	$(2 107 299)	$3 624	$(1 924 260)
Items not affecting liquid assets:				
Depreciation of fixed assets	829 418		829 418	790 717
Amortization of deferred expenses	3 659		3 659	
	2 944 000	(2 107 299)	836 701	(1 133 543)
Deviations in non-cash elements of the Working Capital Fund (Note 17)	(5 103 705)	(1 221 883)	(6 325 588)	1 827 437
Cash flows provided by (used for) operating activities	(2 159 705)	(3 329 182)	(5 488 887)	693 894
INVESTMENT ACTIVITIES				
Assets intended for sale	(2 153 202)		(2 153 202)	
Acquisition of fixed assets	(5 233 742)		(5 233 742)	(280 105)
Cash flows used for investment activities	(7 386 944)		(7 386 944)	(280 105)
FINANCING ACTIVITIES				
Cash reserved for the acquisition of fixed assets	(2 088 450)		(2 088 450)	
Deferred expenses	(103 052)		(103 052)	
Long-term debt	17 347 767		17 347 767	40 475
Repayment of long-term debt	(1 394 007)		(1 394 007)	(616 212)
Gouvernement du Québec advance				275 000
Gouvernement du Québec contribution	5 085 799		5 085 799	
Cash flows provided by (used for) financing activities	18 848 057		18 848 057	(300 737)
INCREASE (DECREASE) IN CASH ON HAND	9 301 408	(3 329 182)	5 972 226	113 052
CASH ON HAND, BEGINNING OF YEAR	5 145 197	1 741 050	6 886 247	6 773 195
Inter-fund transfer	(2 681 013)	2 681 013		
CASH ON HAND, END OF YEAR	$11 765 592	$1 092 881	$12 858 473	$6 886 247

COMMISSION DE LA CAPITALE NATIONALE DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

The Commission de la capitale nationale du Québec is a legal person established by the Act respecting the National Capital Commission (R.S.Q., c. C-33.1) to:

- contribute to the planning of and improvement to the major buildings and equipment which characterize a capital;
- establish squares, parks and gardens and promenades and erect monuments and works of art;
- support the improvement of the quality of architecture and the landscape;
- support the preservation, improvement and accessibility of squares, parks and gardens, promenades and public thoroughfares, and of historic sites, works, monuments and property enhancing or giving prestige to the capital;
- support work designed to improve access to the capital;
- support the organization and promotion of activities and events of a historical, cultural and social nature that give prominence to the capital.

The Commission advises the Government on:

- the location of government offices and departments or other government bodies and their employees;
- the construction, preservation, planning and development of buildings housing government offices and departments or other government bodies in the territory of the Communauté métropolitaine de Québec;
- the layout, in the territory of the Communauté métropolitaine de Québec, of transport and communications infrastructures providing access to the capital, the designation of ceremonial routes, the location of diplomatic missions and international organizations, and the conditions applicable to international presence;
- the planning and development of the territory of the Communauté métropolitaine de Québec and of the territory of local municipalities and regional county municipalities forming part of the Communauté métropolitaine de Québec.

2. ACCOUNTING POLICIES

The financial statements of the Commission were prepared by management in accordance with accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Fund accounting

In accordance with the Act respecting the National Capital Commission, the sums received by the Commission must be used to discharge its obligations and the balance paid into a fund to develop and enhance the capital. The Government has authorized the use of the fund for this purpose.

Proceeds accrued

The Commission uses the deferral method to record contributions, i.e. Gouvernement du Québec subsidies and partners' contributions. The contributions of restricted partners are accrued as proceeds from the appropriate fund in the fiscal year in which the related charges were incurred. The contributions of non-restricted partners are accrued as proceeds when received or receivable, if the amount can be reasonably estimated and the Commission is reasonable certain of receiving it.

Financial assistance

Financial assistance is recorded to charges when the facts giving rise to it occurs, inasmuch as it was authorized and that the beneficiaries met the eligibility criteria, where applicable.

2. ACCOUNTING POLICIES (cont'd)

Assets intended for sale

Assets destined for sale are recorded at acquisition cost or net realization value, whichever is less.

Deferred expenses

Long-term debt issuing fees are reported and amortized using the straight-line method over the duration of the debt.

Fixed assets

Fixed assets are recorded at cost and amortized over the duration of their service life using the following methods and rates:

Data processing equipment and software	Straight-line	33 1/3%
Office furniture and equipment	Diminishing balance	20%
Facilities development	Straight-line	20%
Equipment and software leased under a capital lease contract	Straight-line	33 1/3%

Pension plans

The accounting procedure used for defined-contribution plans is applied to interentreprise government defined-benefit plans, given that the Commission lacks sufficient information to apply the accounting procedure for defined-benefit plans.

3. CHANGE IN ACCOUNTING POLICY

Computer equipment and software acquired or leased under capital lease contracts are now amortized using the straight-line method over a duration of 3 years.

Previously, theses fixed assets were amortized using the declining balance method at a rate of 30%. The retroactive application of this modification results in an increase (decrease) in the following financial statement items:

	2002	2001
Income		
Depreciation of fixed assets	$2 520	$(3 296)
Excess (deficiency) of revenue over expenditure	(2 520)	3 296
Balance sheet		
Fixed assets	(39 779)	(37 259)
Fund balances	(39 779)	(37 259)

4. GOUVERNEMENT DU QUÉBEC SUBSIDIES

	2002	2001
Operations	$12 199 400	$16 911 100
Repayment of interest on the long-term debt	319 440	
Specific projects	2 957 889	18 517
	$15 476 729	$16 929 617

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

5. PARTNERS' CONTRIBUTIONS

	2002	2001
Société immobilière du Québec	$621 098	$704 448
Hydro-Québec	378 184	213 234
Gouvernement du Québec	3 387 473	1 047 645
Infrastructures Transport	4 000 000	
Quebec City	2 734 660	12 531
Other	1 109 160	85 210
	$12 230 575	$2 063 068

6. INTER-FUND TRANSFER

The amount $2 681 013 represents the excess received by the Commission to be applied to its obligations as at March 31, 2002. According to the Commission's incorporating act, they are to be paid into a fund to develop and enhance the capital (Fund to develop and enhance the capital).

7. CASH ON HAND

Cash on hand bears interest at the prime rate minus 1.75%. At March 31, 2002, this rate was 2.00%. An amount of $4 634 694 was reserved for development work on Avenue Dufferin.

8. GOUVERNEMENT DU QUÉBEC SUBSIDIES RECEIVABLE

Gouvernement du Québec subsidies receivable presented as short-term correspond to interest accrued on the long-term debt and to capital repayments on the long-term debt in the coming year.

Subsidies presented as long-term represent the Gouvernement du Québec's total commitments related to the long-term debt regarding fixed assets and the Autoroute Dufferin-Montmorency development project minus capital repayments made and pending in the coming year.

9. CONTRIBUTIONS RECEIVABLE

	2002	2001
Société immobilière du Québec	$61 117	$143 116
Hydro-Québec	163 371	
Gouvernement du Québec	390 798	1 177 900
Other	434 066	558 271
	$1 049 352	$1 879 287

10. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net	Net
Land	$5 085 799		$5 085 799	
Data processing equipment and software	195 949	$155 920	40 029	$43 499
Office furniture and equipment	272 845	141 021	131 824	75 504
Facilities development	3 829 873	2 140 626	1 689 247	2 436 426
Computer application under development	16 500		16 500	
Equipment and software leased under capital lease contracts	52 290	22 207	30 083	33 729
	$9 453 256	$2 459 774	$6 993 482	$2 589 158

11. BANK BORROWING

The Commission has an authorized credit margin of $500 000 bearing interest at the prime rate.

12. DEFERRED GOUVERNEMENT DU QUÉBEC SUBSIDIES

The deferred Gouvernement du Québec subsidies presented in the current operating fund correspond to subsidies received or receivable in the fiscal years under consideration and destined to cover the expenses of future fiscal years. The changes in the deferred Gouvernement du Québec subsidies are as follows:

	2002	2001
Opening balance	$1 912 483	
Amount accrued as receipts for the fiscal year	(592 583)	
	1 319 900	
Amount received or receivable for subsequent fiscal years	7 019 488	$1 912 483
	8 339 388	1 912 483
Subventions destined to cover the coming fiscal year's expenses	(7 019 488)	(1 912 843)
	$1 319 900	

13. DEFERRED CONTRIBUTIONS

The deferred contributions presented in the current operating fund correspond to partners' contributions received or receivable in the fiscal years under consideration and destined to cover the expenses of future fiscal years and park development. The changes in the deferred contributions are as follows:

13. DEFERRED CONTRIBUTIONS (cont'd)

	2002	2001
Opening balance	$2 229 763	$1 754 756
Amount accrued as receipts for the fiscal year	(2 122 662)	(1 521 152)
	107 101	233 604
Contributions designed to cover the charges for future fiscal years	241 894	1 996 159
	348 995	2 229 763
Contributions designed to cover the charges for the coming fiscal year	(260 004)	(2 100 904)
	$88 991	$128 859

As at March 31, 2002, the balance included related party transactions in the amount of $348 995 (2001: $1 753 470).

14. LONG-TERM DEBT

	2002	2001
Borrowings on note from the Financing Fund of the Gouvernement du Québec, guaranteed by t he Gouvernement du Québec:		
5.62% repayable in annual instalments of $602 720 on the principal of the borrowing, maturing on December 1, 2003	$1 205 440	$1 808 160
5.37% repayable in half-yearly instalments of $171 198 on the principal of the borrowing as from June 1, 2002 and a final instalment of $2 225 779 on December 1, 2010 *	5 135 952	
6.06% repayable in half-yearly instalments of $345 842 on the principal of the borrowing, maturing on December 1, 2010 *	6 225 156	
6.06% repayable in half-yearly instalments of $103 333 on the principal of the borrowing as from June 1, 2002 and a final instalment of $1 343 333 on December 1, 2010 *	3 100 000	
6.06% repayable in half-yearly instalments of $42 000 on the principal of the borrowing as from June 1, 2002 and a final instalment of $1 386 000 on December 1, 2010 *	2 100 000	
Obligations resulting from a capital lease contract:		
10% repayable in monthly instalments of $1 124, maturing on April 1, 2003	13 492	26 983
11.63% repayable in monthly instalments of $492 as from October 1, 2001 and a final instalment of $10 on October 1, 2003	8 863	
Instalment due within one year	(1 946 862)	(616 212)
	$15 842 041	$1 218 931

* Capital payments on these borrowings are made annually from Gouvernement du Québec subsidies slated for this purpose.

14. LONG-TERM DEBT (cont'd)

The intended amounts of capital payments to make on borrowings from the Financing Fund of the Gouvernement du Québec over the coming five fiscal years are as follows:

2003	$1 927 467
2004	1 927 467
2005	1 324 747
2006	1 324 747
2007	1 324 747

Minimum payments payable under the obligation resulting from a capital lease contract are as follows:

2003	$22 123
2004	3 300
Total minimum payments payable	25 423
Amount representing interest included in the minimum payments payable	(3 068)
Minimum payments payable	$22 355

15. GOUVERNEMENT DU QUÉBEC CONTRIBUTION

The amount of the Gouvernement du Québec contribution corresponds to the cost the land funded by a long-term borrowing whose capital payments will be covered by a Gouvernement du Québec subsidy.

16. COMMITMENTS

The Commission is committed to financially supporting various projects aimed at enhancing and promoting the capital and promoting cultural activities and events that give prominence to the capital. As at March 31, 2002, the Commission had commitments towards the Ville de Québec in the amount of $1 000 000 (2001: $8 625 953) and the National Assembly of Québec in the amount of $1 815 023 (2001: $3 651 282). Moreover, the Commission has commitments of $4 634 694 related to the Autoroute Dufferin-Montmorency development project (2001: $7 695 000).

17. CASH FLOWS

Change in off-balance sheet items linked to operations

	2002			2001
	Current transactions	Fund to develop and enhance the capital	Total	Total
Accounts receivable and interest accrued	$(73 869)	$5 952	$(67 917)	$(29 174)
Prepaid expenses	(43 183)		(43 183)	35 254
Gouvernement du Québec subsidies receivable	(14 088 440)		(14 088 440)	(531 000)
Contributions receivable	829 935		829 935	164 807
Accounts payable and accruals	2 320 719	5 232	2 325 951	(194 077)
Provision for vacation time	(12 974)		(12 974)	5 151
Interest accrued	184 903		184 903	(11 014)
Deferred Gouvernement du Québec subsidies	6 426 905		6 426 905	1 912 483
Deferred contributions	(1 880 768)		(1 880 768)	475 007
Inter-fund debt	1 233 067	(1 233 067)		
	$(5 103 705)	$(1 221 883)	$(6 325 588)	$1 827 437

17. CASH FLOWS (cont'd)

Interest paid

Interest paid during the fiscal year totals $228 098 (2001: $160 125).

18. FUTURE FRINGE BENEFITS

The staff members of the Commission participate in the Pension Plan of Management Personnel (PPMP), in the Government and Public Employees Retirement Plan (RREGOP) or in the Civil Service Superannuation Plan (CSSP). These are interenterprise defined-benefit plans and include guaranteed payments upon retirement and death.

The Commission's liability towards these Government plans is restricted to its contributions as an employer. Its contributions charged to the year-end statement amount to $48 506 (2001: $50 044).

19. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements and measured at exchange value, the Commission is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Commission did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

COMMISSION DE LA CAPITALE NATIONALE DU QUÉBEC

MANAGEMENT'S REPORT

The financial statements of the Commission de la capitale nationale du Québec were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Commission recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The Auditor General of Québec has audited the Commission's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the board of directors to discuss any matter related to the audit.

Pierre Boucher
President and Chief Executive Officer

Québec, August 2, 2002

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Commission de la capitale nationale du Québec as at March 31, 2002, the statement of income, the statement of change in fund balances and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. It is my responsibility to express an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management, and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Commission's financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, given the retroactive application of the change in the method of recording and amortization rate for computer equipment and software disclosed in Note 3, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, August 2, 2002

COMMISSION DE LA CONSTRUCTION DU QUÉBEC
R.S.Q., c. R-20
GENERAL FUND

REVENUE AND EXPENDITURE
for the year ended December 31, 2001
(in thousands of dollars)

	2001	2000
REVENUE		
Levies	37 362	37 515
Service fees	3 614	4 086
Optional participation	562	639
Penalties	1 252	1 360
Status letters	1 136	1 092
Transfer of unidentified or unclaimed compensation and claims	134	189
Investment income (Note 5)	1 216	620
Other	483	634
	45 759	46 135
EXPENDITURE		
Employee remuneration and personnel management	48 618	42 721
Administrative expenses	11 995	11 477
Office space	2 674	2 331
Depreciation of fixed assets	1 481	1 405
Interest on bank loan		51
Interest on long-term debt	4	97
Interest and bank charges	725	371
Advertising and public relations	430	290
Professional development	566	479
Contribution to the Construction Industry Commissioner's Fund	837	833
Employment-insurance premium	63	851
Union allegiance vote		223
Jurisdictional dispute committee	122	84
EXPENDITURE BEFORE THE FOLLOWING ITEMS	67 515	61 213
Expenditure charge to supplemental pension and insurance plans	(12 049)	(10 520)
Expenditure charged to the Training Plan Fund	(907)	(770)
Transfer of interest from the Holiday and Vacation Pay Fund	(2 086)	(4 257)
Gouvernement du Québec subsidy to help fight black market labour	(6 789)	(6 770)
	45 684	38 896
EXCESS REVENUE OVER EXPENDITURE	75	7 239

FUND BALANCE DEFICIT
for the year ended December 31, 2001
(in thousands of dollars)

	2001	2000
FUND BALANCE DEFICIT, BEGINNING OF YEAR	(7 346)	(14 585)
Excess revenue over expenditure	75	7 239
CLOSING FUND BALANCE DEFICIT	(7 271)	(7 346)

COMMISSION DE LA CONSTRUCTION DU QUÉBEC

GENERAL FUND

BALANCE SHEET
as at December 31, 2001
(in thousands of dollars)

	2001	2000
ASSETS		
Current assets		
Cash on hand	533	79
Investment and accrued revenue (Notes 6.2a and 7)	20 683	15 631
Levies receivable	3 331	3 086
Accounts receivable	1 019	1 761
Gouvernement du Québec subsidy receivable	9 982	7 400
Prepaid expenses	427	565
	35 975	28 522
Fixed assets (Note 8)	9 055	8 343
	45 030	36 865
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	9 228	6 024
Deferred revenue	253	365
Deferred Gouvernement du Québec subsidy	13 595	10 726
Instalments on long-term debt (Note 10)	19	88
	23 095	17 203
Liability for benefits accrued under future fringe benefits (Note 20)	29 206	26 989
Long-term debt (Note 10)		19
	52 301	44 211
FUND BALANCE DEFICIT	(7 271)	(7 346)
	45 030	36 865

COMMITMENTS (Note 18)
CONTINGENCIES (Note 19)

On behalf of the Board of Directors,
André Ménard
Pierre Labelle

COMMISSION DE LA CONSTRUCTION DU QUÉBEC

GENERAL FUND

CASH FLOWS
for the year ended December 31, 2001
(in thousands of dollars)

	2001	2000
OPERATING ACTIVITIES		
Excess revenue over expenditure	75	7 239
Adjustments for:		
Depreciation of fixed assets	1 481	1 405
Loss (gain) on disposal of fixed assets	61	(10)
Increase in benefits accrued under future fringe benefits	2 217	1 946
	3 834	10 580
Change in non-cash elements of the Working Capital Fund (Note 11)	4 014	(679)
Cash flows related to operating activities	7 848	9 901
INVESTMENT ACTIVITIES		
Acquisition of investments	(3 339)	(7 713)
Acquisition fixed assets	(2 596)	(2 087)
Gouvernement du Québec subsidy for acquisition of fixed assets	331	319
Proceeds from disposal of fixed assets	11	10
Cash flows related to investment activities	(5 593)	(9 471)
FINANCING ACTIVITIES		
Repayment of the long-term debt related to capital leases	(88)	(274)
Repayment of the long-term debt		(1 549)
Cash flows related to financing activities	(88)	(1 823)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	2 167	(1 393)
CASH AND CASH EQUIVALENTS AT THE BEGINNING	4 689	6 082
CASH AND CASH EQUIVALENTS AT THE END (Note 11)	6 856	4 689

COMMISSION DE LA CONSTRUCTION DU QUÉBEC

HOLIDAY AND VACATION PAY FUND

ASSETS AND LIABILITIES
as at December 31, 2001
(in thousands of dollars)

	2001	2000
ASSETS		
Investments and accrued revenue (Notes 6.2a and 7)	119 360	121 648
Vacation pay receivable	22 019	
	141 379	121 648
LIABILITIES		
Outstanding cheques less cash on hand	1 790	1 845
Accounts payable	624	164
Holiday and vacation pay, payable to employees	138 965	119 639
	141 379	121 648

On behalf of the Board of Directors,
André Ménard
Pierre Labelle

COMMISSION DE LA CONSTRUCTION DU QUÉBEC

HOLIDAY AND VACATION PAY FUND

CHANGES IN ASSETS
for the year ended December 31, 2001
(in thousands of dollars)

	2001	2000
SOURCE OF FUNDS		
Contributions received for compulsory annual vacation and general holidays	246 452	243 264
Investment income	4 484	14 066
Increase in outstanding cheques less cash on hand and accounts payable	405	
	251 341	257 330
USE OF FUNDS		
Payments to employees		
Holiday and vacation pay	243 819	230 658
Interest on compensation paid	5 518	7 920
Transfer to General Fund		
Interest	2 086	4 257
Compensation payable to unidentified employees or unclaimed after three years	98	144
Decrease in outstanding cheques less cash and accounts receivable		1 973
	251 521	244 952
(DECREASE) INCREASE IN ASSETS	(180)	12 378
ASSETS, BEGINNING OF YEAR		
Previously established balance	121 648	109 270
Adjustment		
Compulsory vacation and holiday pay collected (Note 4)	19 911	
Adjusted balance	141 559	109 270
ASSETS, END OF YEAR	141 379	121 648

COMMISSION DE LA CONSTRUCTION DU QUÉBEC

BACK PAY FUND

ASSETS AND LIABILITIES
as at December 31, 2001
(in thousands of dollars)

	2001	2000
ASSETS		
Investments (Notes 6.2a and 7)	809	653
Claims from employers receivable	10	
Accounts receivable	53	53
	872	706
LIABILITIES		
Outstanding cheques less cash on hand	199	275
Claims payable to employees	673	431
	872	706

On behalf of the Board of Directors,
André Ménard
Pierre Labelle

COMMISSION DE LA CONSTRUCTION DU QUÉBEC

BACK PAY FUND

CHANGES IN ASSETS
for the year ended December 31, 2001
(in thousands of dollars)

	2001	2000
SOURCE OF FUNDS		
Claims collected from employers	2 572	2 199
Investment income	55	
	2 627	2 199
USE OF FUNDS		
Decrease n in outstanding cheques less cash on hand and accounts payable	76	219
Claims paid to employees	2 365	2 296
Transfer to the General Fund of collected claims payable to employees who remain unidentified after three years	36	45
	2 477	2 560
INCREASE (DECREASE) IN ASSETS	150	(361)
OPENING ASSETS		
Previously established balance	706	1 067
Adjustment		
Claims collected from employers (Note 4)	16	
Adjusted balance	722	1 067
CLOSING ASSETS	872	706

COMMISSION DE LA CONSTRUCTION DU QUÉBEC

EMPLOYER CONTRIBUTIONS FUND

ASSETS AND LIABILITIES
as at December 31, 2001
(in thousands of dollars)

	2001	2000
ASSETS		
Investments (Notes 5, 6.2a and 7)	1 266	925
Advances on contributions	130	130
Employer contributions receivable	300	
	1 696	1 055
LIABILITIES		
Accounts payable	17	
Contributions refundable	1 679	1 055
	1 696	1 055

On behalf of the Board of Directors,
André Ménard
Pierre Labelle

CHANGES IN ASSETS
for the year ended December 31, 2001
(in thousands of dollars)

	2001	2000
SOURCE OF FUNDS		
Contributions collected	8 254	7 946
Increase in accounts payable	17	
	8 271	7 946
USE OF FUNDS		
Contribution refunds	7 983	8 229
INCREASE (DECREASE) OF ASSETS	288	(283)
ASSETS, BEGINNING OF YEAR		
Previously established balance	1 055	1 338
Adjustment		
Employer contributions (Note 4)	353	
Adjusted balance	1 408	1 338
ASSETS, END OF YEAR	1 696	1 055

COMMISSION DE LA CONSTRUCTION DU QUÉBEC

UNION ASSESSMENT FUND

ASSETS AND LIABILITIES
as at December 31, 2001
(in thousands of dollars)

	2001	2000
ASSETS		
Investments (Notes 5, 6.2a and 7)	3 422	2 620
Advances on contributions	1 316	1 255
Employees contributions receivable	3 317	
	8 055	3 875
LIABILITIES		
Outstanding cheques less cash on hand	260	230
Accounts payable	70	
Assessments to be remitted	7 725	3 645
	8 055	3 875

On behalf of the Board of Directors,
André Ménard
Pierre Labelle

COMMISSION DE LA CONSTRUCTION DU QUÉBEC

UNION ASSESSMENT FUND

CHANGES IN ASSETS
for the year ended December 31, 2001
(in thousands of dollars)

	2001	2000
SOURCE OF FUNDS		
Assessments collected	38 625	39 008
Increase in advances on contributions	61	138
Increase in outstanding cheques less cash on hand and accounts payable	100	
	38 786	39 146
USED OF FUNDS		
Assessments remitted	37 756	38 727
Decrease in outstanding cheques less cash on hand and accounts payable		1 641
	37 756	40 368
INCREASE (DECREASE) IN ASSETS	1 030	(1 222)
ASSETS, BEGINNING OF YEAR		
Previously established balance	3 875	5 097
Adjustment		
Employee contributions (Note 4)	3 150	
Adjusted balance	7 025	5 097
ASSETS, END OF YEAR	8 055	3 875

COMMISSION DE LA CONSTRUCTION DU QUÉBEC

SPECIAL COMPENSATION FUND

BALANCE SHEET
as at December 31, 2001
(in thousands of dollars)

	2001	2000
ASSETS		
Investments (Notes 5, 6.2a and 7)	2 048	1 444
Employer contributions receivable	142	
	2 190	1 444
LIABILITIES		
Outstanding cheques less cash on hand	10	14
Accounts payable	3	
Compensation payable to employees	950	700
	963	714
EQUITY (DEFICIT)	1 227	730
	2 190	1 444

On behalf of the Board of Directors,
André Ménard
Pierre Labelle

COMMISSION DE LA CONSTRUCTION DU QUÉBEC

SPECIAL COMPENSATION FUND

CHANGES IN EQUITY
for the year ended December 31, 2001
(in thousands of dollars)

	2001	2000
SOURCE OF FUNDS		
Employer contributions	1 660	1 665
Compensation recovered	461	532
Penalties	154	147
	2 275	2 344
USE OF FUNDS		
Compensation paid to employees	1 665	1 338
Increase in compensation payable to employees	250	2
	1 915	1 340
INCREASE IN EQUITY	360	1 004
EQUITY (DEFICIT), BEGINNING OF YEAR		
Previously established balance	730	(274)
Adjustment		
Employer contributions (Note 4)	137	
Adjusted balance	867	(274)
EQUITY, END OF YEAR	1 227	730

COMMISSION DE LA CONSTRUCTION DU QUÉBEC

ELIGIBILITY FUND

BALANCE SHEET
as at December 31, 2001
(in thousands of dollars)

	2001	2000
ASSETS		
Investments and accrued revenue (Notes 6.2a and 7)	1 794	1 387
Employer contributions receivable	43	
	1 837	1 387
EQUITY (Note 12)	1 837	1 387

On behalf of the Board of Directors,
André Ménard
Pierre Labelle

CHANGES IN EQUITY
for the year ended December 31, 2001
(in thousands of dollars)

	2001	2000
SOURCE OF FUNDS		
Employer contributions	467	535
Investment income	88	69
	555	604
USED OF FUNDS		
Assessments remitted to employees	149	110
INCREASE IN EQUITY	406	494
EQUITY, BEGINNING OF YEAR		
Previously established balance	1 387	893
Adjustment		
Employer contributions (Note 4)	44	
Adjusted balance	1 431	893
EQUITY, END OF YEAR	1 837	1 387

COMMISSION DE LA CONSTRUCTION DU QUÉBEC

TRAINING PLAN FUND – WORK SECTORS

BALANCE SHEET
as at December 31, 2001
(in thousands of dollars)

	2001	2000
ASSETS		
Investments and accrued revenue (Notes 6.2a and 7)	108 464	102 271
Employer contributions receivable	1 347	
Prepaid training activity expenses	324	204
	110 135	102 475
LIABILITY		
Outstanding cheque less cash on hand	158	11
Accounts payable	28	
Training activities payable	1 283	587
	1 469	598
EQUITY	108 666	101 877
	110 135	102 475

On behalf of the Board of Directors,
André Ménard
Pierre Labelle

COMMISSION DE LA CONSTRUCTION DU QUÉBEC

TRAINING PLAN FUND – WORK SECTORS

CHANGES IN EQUITY
for the year ended December 31, 2001
(in thousands of dollars)

	2001	2000
SOURCE OF FUNDS		
Employer contributions	15 288	15 483
Investment income	432	8 004
Decrease in training activities payable		171
	15 720	23 658
USED OF FUNDS		
Cost of training activities (Note 13)	5 525	3 978
Increase in prepaid training activity costs	120	29
Training incentives (Note 13)	2 582	670
Contribution to C.G.U.F.F.*	472	785
Expenses charged by the General Fund	839	714
Increase in training activities payable	696	
	10 234	6 176
INCREASE IN EQUITY	5 486	17 482
EQUITY, BEGINNING OF YEAR		
Previously established balance	101 877	84 395
Adjustment		
Employer contributions (Note 4)	1 303	
Adjusted balance	103 180	84 395
EQUITY, END OF YEAR	108 666	101 877

* Training Fund use management committee

COMMISSION DE LA CONSTRUCTION DU QUÉBEC

TRAINING PLAN FUND - RESIDENTIAL SECTOR

BALANCE SHEET
as at December 31, 2001
(in thousands of dollars)

	2001	2000
ASSETS		
Investments and accrued revenue (Notes 6.2a and 7)	15 406	12 531
Employer contributions receivable	194	
	15 600	12 531
LIABILITIES		
Accounts payable	4	
EQUITY	15 596	12 531
	15 600	12 531

On behalf of the Board of Directors,
André Ménard
Pierre Labelle

COMMISSION DE LA CONSTRUCTION DU QUÉBEC

TRAINING PLAN FUND - RESIDENTIAL SECTOR

CHANGES IN EQUITY
for the year ended December 31, 2001
(in thousands of dollars)

	2001	2000
SOURCE OF FUNDS		
Employer contributions	2 658	2 365
Investment income	457	606
	3 115	2 971
USE OF FUNDS		
Cost of training activities (Note 13)	140	123
Contribution costs of the training fund use management committee		86
Expenses charged by the General Fund	68	56
	208	265
INCREASE IN EQUITY	2 907	2 706
EQUITY, BEGINNING OF YEAR		
Previously established balance	12 531	9 825
Adjustment		
Employer contributions (Note 4)	158	
Adjusted balance	12 689	9 825
EQUITY, END OF YEAR	15 596	12 531

COMMISSION DE LA CONSTRUCTION DU QUÉBEC

SUPPLEMENTAL PENSION PLAN FUND

NET ASSETS AVAILABLE FOR BENEFITS
as at December 31, 2001
(in thousands of dollars)

	General account	Complementary account	Pensioners' account	Total	Total
ASSETS					
Investments					
Funds entrusted to the Caisse de dépôt et placement du Québec (Note 6.1)	3 227 853	1 158 165	3 075 933	7 461 931	8 071 411
Investments and accrued interest (Note 6.2b)	11 509	17 807	57 868	87 184	59 752
	3 239 342	1 175 972	3 133 801	7 549 115	8 131 163
Accounts receivable					
Employee contributions	6 252	7 490		13 742	13 463
Employer contributions	14 449			14 449	12 504
General Fund transfer receivable			59 169		
Complementary account transfer receivable			10 764		
	20 701	7 490	69 933	28 191	25 967
	3 260 043	1 183 462	3 203 734	7 577 306	8 157 130
LIABILITIES					
Outstanding cheques less cash on hand	203		32	235	5 343
Accounts payable	439	161		600	
Contributions repayable after retirement		19 424		19 424	19 880
Pensions and lump-sum benefits payable	6 310	2 682	2 073	11 065	10 321
Transfer to the pensioners' accounts	59169	10 764			
	66 121	33 031	2 105	31 324	35 544
NET ASSETS AVAILABLE FOR BENEFITS (Note 14)	3 193 922	1 150 431	3 201 629	7 545 982	8 121 586

On behalf of the Board of Directors,
André Ménard
Pierre Labelle

COMMISSION DE LA CONSTRUCTION DU QUÉBEC

SUPPLEMENTAL PENSION PLAN FUND

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
for the year ended December 31, 2001
(in thousands of dollars)

	General account	Complementary account	Pensioners' account	Total	Total
INCREASE IN ASSETS					
Employee contributions	63 956	78 475		142 431	157 256
Employer contributions	153 575			153 575	137 588
Contributions after retirement		19 424		19 424	19 880
Earnings of funds entrusted to the Caisse de dépôt et placement du Québec	131 157	45 979	121 525	298 661	327 387
Change in the fair value of investments					95 993
Other interest income	532	411	1 302	2 245	3 197
Transfer from the general account			361 445		
Transfer from the complementary account			67 768		
	349 220	144 289	552 040	616 336	741 301
DECREASE IN ASSETS					
Lump-sum benefits and contribution refunds	25 956	10 889	374 231	411 076	379 236
Repayment of hours after retirement		19 424		19 424	19 880
Charge of administrative expenses by the General Fund	11 759	192		11 951	10 378
Transfer to the pensioners' accounts	361 445	67 768			
Transfer of unclaimed property to the Public Curator					5 241
Administrative expenses	460			460	165
Change in the fair value of investments	330 544	115 513	302 972	749 029	
	730 164	213 786	677 203	1 191 940	414 900
NET INCREASE (DECREASE) FOR THE YEAR	(380 944)	(69 497)	(125 163)	(575 604)	326 401
NET ASSETS AVAILABLE FOR BENEFITS – BEGINNING OF YEAR	3 574 866	1 219 928	3 326 792	8 121 586	7 795 185
NET ASSETS AVAILABLE FOR BENEFITS – END OF YEAR	3 193 922	1 150 431	3 201 629	7 545 982	8 121 586

COMMISSION DE LA CONSTRUCTION DU QUÉBEC

INSURANCE PLANS FUND

BALANCE SHEET
as at December 31, 2001
(in thousands of dollars)

	2001			2000
	Basic insurance plans fund	Supplemental insurance plans fund	Total	Total
ASSETS				
Investments and accrued revenue (Note 6.2a and 7)	222 248	20 830	243 078	242 147
Employer contributions	10 827	826	11 653	
Insurance premiums receivable from supplemental plans	2 454			
	235 529	21 656	254 731	242 147
LIABILITIES				
Outstanding cheques less cash on hand	3 789		3 789	1 991
Claims payable	51		51	510
Accounts payable	2 770	22	2 792	1 725
Insurance premiums payable on basic plans		2 454		
Provision for eventual profits	27 026	1 879	28 905	25 546
Unused voluntary insurance contributions	414		414	369
Unused optional insurance contributions	44 258	2 830	47 088	
Actuarial liability (Note 15)	129 841		129 841	115 443
	208 149	7 185	212 880	145 584
EQUITY				
Reserve linked to health management program (Note 16)	9 320		9 320	6 674
Unappropriated equity (Note 17)	18 060	14 471	32 531	89 889
	27 380	14 471	41 851	96 563
	235 529	21 656	254 731	242 147

On behalf of the Board of Directors,
André Ménard
Pierre Labelle

COMMISSION DE LA CONSTRUCTION DU QUÉBEC

INSURANCE PLANS FUND

CHANGES IN EQUITY
for the year ended December 31, 2001
(in thousands of dollars)

	2001			2000
	Basic insurance plans fund	Supplemental insurance plans fund	Total	Total
SOURCE OF FUNDS				
Employer contributions	112 511	6 393	118 904	113 333
Optional employee contributions	7 409		7 409	5 083
Increase in provisions for eventual premiums	185		185	223
Premiums received from supplemental insurance plans	3 929			
Investment income	761	86	847	26 203
	124 795	6 479	127 345	144 842
USE OF FUNDS				
Insurance premiums paid to basic plans		3 929		
Expenses charged by the General Fund		98	98	142
Claims	121 789		121 789	86 381
Tax on capital	2 370	120	2 490	2 360
Management fees for claims and premiums	2 144	13	2 157	1 506
Increase in insurance premiums payable		185	185	223
Increase in provisions pour eventual benefits	2 998	361	3 359	5 570
Increase in actuarial liabilities	14 398		14 398	16 219
Increase in unused contributions	2 659	669	3 328	
	146 358	5 375	147 804	112 401
(DECREASE) INCREASE IN EQUITY	(21 563)	1 104	(20 459)	32 441
EQUITY, BEGINNING OF YEAR				
Previously established balance	81 566	14 997	96 563	64 122
Adjustment				
Employer contributions (Note 4)	8 976	531	9 507	
Unused employer contributions (Note 4)	(41 599)	(2 161)	(43 760)	
Adjusted balance	48 943	13 367	62 310	64 122
EQUITY, END OF YEAR	27 380	14 471	41 851	96 563

NOTES TO FINANCIAL STATEMENTS
December 31, 2001
(in thousands of dollars)

1. CONSTITUTION AND PURPOSE

A legal person within the meaning of the Civil Code, the Commission de la construction du Québec was established by the Act respecting labour relations, vocational training and manpower management in the construction industry (R.S.Q., c. R-20). It is responsible for applying collective agreements and fringe-benefit plans and managing vocational training and manpower in the construction industry.

To this end, the Commission administers eight trust funds, the Supplemental Pension Plan Fund and the Insurance Plans Fund. The General Fund was established to report on the Commission's operations related to the application of the collective agreements concluded under the Act respecting labour relations, vocational training and manpower management in the construction industry. This includes the administration of any complementary social benefits plan and other functions conferred on the Commission by the Act.

2. PURPOSE AND DESCRIPTION OF THE TRUST FUNDS AND PLANS ADMINISTERED BY THE COMMISSION

2.1 Purpose of the trust funds

a) Holiday and Vacation Pay Fund

This fund reports on holiday and vacation pay and interest earned on behalf of employees of the construction industry in accordance with the applicable collective agreements.

b) Back Pay Fund

This fund reports on salary claims made by the Commission on behalf of construction industry employees under section 81 of the Act respecting labour relations, vocational training and manpower management in the construction industry.

c) Employer Contributions Fund

This fund reports on employer contributions on behalf of the employers' association under section 40 of the Act respecting labour relations, vocational training and manpower management in the construction industry.

d) Union Assessment Fund

This fund reports on the union assessment deducted from the salaries of employees of the construction industry under section 38 of the Act respecting labour relations, vocational training and manpower management in the construction industry.

e) Special Compensation Fund

This fund reports on employer contributions used to compensate construction industry employees for the loss of wages and fringe benefits as a result of employer insolvency or when called on for jury duty, in accordance with the collective agreements for employees of the construction industry.

f) Eligibility Fund

This fund reports on employer contributions used to compensate employees for the costs incurred to renew their competency certificate issued by the Canadian Welding Bureau, in accordance with the collective agreements for employees of the construction industry. The eligibility funds for mechanics, locksmiths, erectors, linemen, reinforcing steel erectors, electricians, tinsmiths, boilermakers, pipefitters and pipe welders have been grouped for the purpose of financial statement presentation.

g) Training Plan Fund – Institutional-Commercial, Industrial, Civil Engineering and Public Works Sector

This fund reports on employer contributions used to finance the training plan fund for the institutional-commercial, industrial, civil engineering and public works sector, in accordance with the collective agreements for employees of the construction industry.

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

2. PURPOSE AND DESCRIPTION OF THE TRUST FUNDS AND PLANS ADMINISTERED BY THE COMMISSION (cont'd)

2.1 Purpose of the trust funds (cont'd)

h) Training Plan Fund – Residential Sector

This fund records the employer contributions used to finance the training plan fund for the residential sector, in accordance with the collective agreements for employees of the construction industry.

2.2 Description of the supplemental pension plan

The following description of the supplemental pension plan for employees of the Québec construction industry is given for information purposes. For more complete information concerning this plan, please consult the Regulation respecting complementary social benefits plans in the construction industry (R-20, r.14.01) published in the Gazette officielle du Québec.

a) General information

The supplemental pension plan is a defined-contribution and benefit interenterprise pension plan. It was established by the fringe benefits committee for the construction industry to replace previous plans, effective January 1, 1976.

A pension fund was established to collect employee and employer contributions to cover the cost of benefits payable under the supplemental pension plan.

The fund is comprised of three separate accounts: the general account, the complementary account and the pensioners' account.

The general account is funded by employer and employee contributions paid according to a general formula applicable to all participants. The complementary account is funded by contributions paid by participants according to specific formulas based on the trade or occupation.

The general account is a defined-benefit provision and provides for the accumulation of pension benefits on the basis of the adjusted number of hours worked. The complementary account is a defined-contribution provision and the pension payable is equal to the amount of the basic pension corresponding to the accumulated retirement value of contributions on the date benefits become payable.

These accounts provide for the payment of death and severance benefits for non-retired contributors. When a contributor retires, a portion of assets from the general and complementary accounts is transferred to the pensioners' account to provide for the lifetime annuity payable to the pensioner or the pensioner's spouse.

The pensioners' account is augmented by revenues generated by its own assets.

b) Funding

Employee contributions to the general account are $0.80 per hour worked. The employer's contribution is $1.875 per hour.

Employee contributions to the complementary account vary from $0.22 to $2.32 per hour worked. The contribution paid by the employer is limited to that established for the general account.

Since the plan's inception, the employee contribution to the general account has increased from $0.05 to $0.80 per hour worked and the employer's contribution, from $0.04 to $1.875 per hour worked. Supplementary employee contributions to the complementary account have ranged from $0.20 to $2.32 per hour worked since the plan's inception.

c) Retirement benefits

Contributors are entitled to benefits without any actuarial reduction at the age of 65, or at the age of 60 if the sum of their age and hours worked divided by 1400 is equal to or higher than 70, or at the age of 55 if the sum of their age and hours worked divided by 1400 is equal to or higher than 80 and the sum of their age and years of service is equal to or higher than 80.

2. PURPOSE AND DESCRIPTION OF THE TRUST FUNDS AND PLANS ADMINISTERED BY THE COMMISSION (cont'd)

2.2 Description of the supplemental pension plan (cont'd)

c) Retirement benefits (cont'd)

In the case of contributors who are 55 years of age and the sum of their age and hours worked divided by 1,400 is equal to or higher than 80 but the sum of their age and years of service is less than 80, only the portion of the pension payable for hours worked after 1991 is reduced by 1/4% per month for the months between the date of the contributor's retirement and date on which the sum of his/her age and years of service would have been equal to 80 had the contributor continued to accumulate years of service.

Contributors who have accumulated at least 2 800 hours of work are entitled to an early retirement pension with actuarial reduction at the age of 55, or at the age of 50 if the sum of their age and hours worked divided by 1 400 is equal to or greater than 60.

The pension is equal to the total of the pension payable under the general account, plus the related supplement, and the pension payable under the complementary account.

The pension payable under the general account is equal to the basic pension resulting from the contributor's adjusted hours worked according to the basic pension rates stipulated in Schedule II of the Regulation. A 12.5% supplement is applicable to buy-outs occurring in 2001 (12.5% in 2000).

The pension payable under the complementary account is equal to the basic pension determined by the accumulated retirement value of contributions, including interest, upon the contributor's retirement.

Contributors who retire before the age of 65 may choose to receive an enriched annuity in order to subsequently receive a reduced pension at the age of 65.

Pensions, pension rates per 1 000 adjusted hours worked and the supplemental pension rate are subject to annual adjustments determined by the Commission following an actuarial valuation of the supplemental pension plan.

d) Disability pension

If a contributor who is at least 50 years of age and has accumulated 21 000 hours of work becomes totally disabled, he/she is entitled to receive a disability pension beginning the 53rd week following the date on which disability began. Where applicable, the amount of the pension payable under the general account is reduced by 1/4% per month between the date of retirement and the closest date to when the contributor would have been eligible for a pension without any actuarial reduction. The disability pension continues to be payable even if there is no longer disability.

e) Death benefits

If a contributor dies before retiring and before accumulating 2 800 hours of work, the eligible surviving spouse receives a lump-sum payment equal to the accumulated retirement value of contributions, to the general and complementary accounts. If the contributor has accumulated at least 2 800 hours, the eligible surviving spouse receives a lump-sum payment equal to the actuarial value of the contributor's accrued pension.

When a retiree dies before having received 60 monthly instalments, the spouse receives a pension equal to 100% of the pension the retiree received until a total of 60 monthly instalments have been paid to the retiree and the spouse. After this time, the pension payable to the spouse is reduced to 60% of the pension received by the retiree (50% if, at the time the contributor retired, the spouse, renounced the 60% joint life annuity).

When a retiree dies after having received 60 monthly instalments, the spouse receives a pension equal to 60% of the pension the retiree received (50% if, at the time the contributor retired, the spouse, renounced the 60% joint life annuity).

If a retiree dies without a spouse and before having received 60 monthly instalments, the designated beneficiary receives a lump-sum benefit equal to the actuarial value of the balance of the 60 monthly instalments guaranteed at the time of retirement.

1. PURPOSE AND DESCRIPTION OF THE TRUST FUNDS AND PLANS ADMINISTERED BY THE COMMISSION (cont'd)

2.2 Description of the supplemental pension plan (cont'd)

f) Severance benefits

Contributors who have not reached normal retirement age are entitled to severance benefits when 24 consecutive months have gone by without any hours being credited to their account.

Contributors who have accumulated less than 2 800 hours of work are entitled to a lump-sum payment equal to the accumulated value of contributions to the general and complementary accounts.

Contributors who have accumulated at least 2 800 hours of work are entitled to a deferred pension, payable as of the contributor's normal retirement date or early retirement date, depending on the plan provisions.

However, until the contributor becomes eligible for normal or early retirement, he/she can ask to have the actuarial value of the deferred pension or the amount of the lump-sum payment to which he/she is entitled transferred to another authorized retirement savings plan.

g) Contributions after retirement

Contributions received for a participant whose receives a retirement pension or has passed normal retirement age are reimbursed during the following year.

h) An Act to amend the Supplemental Pension Plans Act

The Act to amend the Supplemental Pension Plans Act (2000, c. 41), which came into effect on January 1, 2001, amended the Supplemental Pension Plans Act. The supplemental pension plan for Québec construction industry employees administered by the Commission is governed by this statute. The Commission is discussing this legislation's application to this plan with the Régie des rentes du Québec. To have the special features of this plan recognized, the Commission and the Régie agreed on specific provisions to undergo legislative amendment. The Régie will prepare draft amendments reflecting retroactive application to legalize the interim period.

Consequently, the actuarial valuation prepared for the Québec construction industry employees' supplemental pension plan as at December 31, 2001 does not reflect the amendments required by this Act.

2.3 Purpose of the insurance plans

A group insurance fund was established to collect premiums and provide for the payment of benefits and compensation under the insurance plans, as well as premiums required to uphold all insurance contracts underwritten by the Commission in relation to complementary social benefits plans.

Supplemental group insurance funds were established to collect the additional contributions for employees who ply a specific trade or group of trades and to provide for the payment of premiums and expenses related to the supplemental insurance plan.

As at December 31, 2001, the following trades and occupations participated in the supplemental group insurance plans: electricians, roofers, tinsmiths, pipefitters and pipe welders, refrigeration mechanics, fire protection mechanics and linemen, refrigeration mechanics, worksite mechanics, bricklayer masons, tile setters and tile setter manpower, cement finisher and plasterer-caulker.

Since 1998, the collective contingency fund for basic insurance plans pays for the additional coverage provided for in the supplemental plan, in exchange for payment of an insurance premium for each person insured under such a supplemental plan. This premium is established at the beginning of the year following the coverage period.

3. ACCOUNTING POLICIES

The financial statements of the Commission were prepared by management in accordance with the accounting policies disclosed below. These statements include amounts based on best estimates and judgements.

3.1 Supplemental Pension Plan Fund

The financial statements of the Supplemental Pension Plan Fund were prepared on an accrual basis.

a) Investments

Investments are recorded at fair value. The fair value of participating units in individual funds of the Caisse de dépôt et placement du Québec is determined by the latter.

b) Administrative expenses

Expenses related to the administration of the pensioners' account of the Supplemental Pension Plan Fund and the basic insurance plans are paid out of the general account of the Supplemental Pension Plan Fund.

3.2 General Fund, Trust Funds and Insurance Plans

a) Investments

Investments are recorded at cost, except for bonds, which are recorded at amortized cost.

b) Currency conversion

The cost of investments in market issues is converted at the exchange rate in effect they day they were acquired.

The fair value of the investments is converted to Canadian dollars at the exchange rate in effect at the end of the fiscal year.

Investment income is converted at the exchange rate in effect on the transaction date.

c) Employer contributions receivable

Amounts payable by employers and accumulated at December 31 are entered as accounts receivable.

d) Fixed assets

Fixed assets are recorded at cost and depreciated over their expected service life on a straight-line basis at the following annual rates:

Buildings	2 1/2%
Building fit-up	20%
Office furniture and equipment	10%
Data processing equipment	20%
Computer software	33 1/3%
Leasehold improvements	25%

e) Leases

When, according to the terms of a lease, virtually all the advantages and risks of ownership are transferred to the Commission, the assets and obligations arising from a capital lease are recorded at the present value of future instalments, as though the asset had been purchased and a loan contracted. Assets covered by capital leases are amortized using the same method as for other fixed assets.

Rent under the terms of an operating lease is charged to operations.

3. ACCOUNTING POLICIES (cont'd)

3.2 General Fund, Trust Funds and Insurance Plans (cont'd)

f) Deferred income

The inducements granted the Commission by lessors, for the rental of administrative offices, are posted to deferred income and amortized according to the straight-line method over the duration of the leases, i.e. 5 years. The amortization is recorded as a reduction in the rental cost.

g) Cash and cash equivalents

The Commission's policy consists in presenting under cash and cash equivalents bank balances and bank overdrafts and short-term investments that can easily be converted and that mature within three months.

h) Future fringe benefits

The Commission offers its employees defined-benefit pension plans and complementary pension benefits.

For defined-benefit plans, the Commission has adopted the following accounting policies:

The cost of pension benefits and complementary pension benefits earned by employees is established using actuarial calculations according to the projected benefit method pro rated on services and charged to results as the services are rendered by the employees. The calculations reflect management's assumptions as to the most probable projected yield of pension plan investments, wage progression, employees' retirement age, contributor mortality rates and projected health care costs.

For the purposes of determining the yield projected for the pension plan assets, these assets are evaluated at their fair value.

The surplus of the net actuarial gain or the net actuarial loss over 10% of the obligation as accrued benefits, or over 10% of the fair value of the plan's assets, if the latter amount is higher, is amortized over the remaining duration of the average activity of active employees.

i) Payments to employees from the Special Compensation Fund

Compensation is entered upon proof of employer insolvency.

j) Salaries and fringe benefits

Salaries and fringe benefits are recorded on the accrual basis.

k) Revenue

Revenue is recorded on an accrual basis except for income from claims issued to employers following an inspection, service pricing income, fines and compensation recovered on encashment.

l) Transfers and charges

The Commission sets General Fund charges annually at the rate it deems required to cover the administrative expenses of the training, supplemental pension plan and insurance plans funds.

The administrative costs for certain trust funds are not charged but assumed by the General Fund.

For its administration, the Commission transfers interest from the Holiday and Vacation Pay Fund and unidentified compensation of the Holiday and Vacation Pay Fund whose beneficiaries could not, as at January 1 of a given year, be identified over the past three years, and the amounts held in trust for wage-related claims in favour of employees whose identity could not, as at December 31 of a given year, be identified over the past three years.

4. CHANGES IN ACCOUNTING POLICIES

Compensation collected for annual holidays and employer and employee contributions

Beginning this fiscal year, compensation for annual holidays and revenues from employer and employee contributions is recorded using the accrual method. Previously, this revenues from trust funds and insurance plans was recorded when cashed.

This change, applied retroactively without adjusting figures for previous fiscal years, increases the following financial statement items:

	2001
Holiday and Vacation Pay Fund	
Assets and liabilities	
Vacation pay compensation receivable	22 019
Vacation pay compensation and interest payable to employees	22 019
Back Pay Fund	
Assets and liabilities	
Claims from employers receivable	10
Claims payable to employees	10
Employer Contributions Fund	
Assets and liabilities	
Employer contributions receivable	300
Contributions to be remitted	300
Union Assessment Fund	
Assets and liabilities	
Employee contributions receivable	3 317
Contributions to be remitted	3 317
Special Compensation Fund	
Balance sheet	
Employer contributions receivable	142
Equity	142
Eligibility Fund	
Balance sheet	
Employer contributions receivable	43
Equity	43
Training Plan Fund – Work Sectors	
Balance sheet	
Employer contributions receivable	1 347
Equity	1 347

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

4. CHANGES IN ACCOUNTING POLICIES (cont'd)

Compensation collected for annual holidays and employer and employee contributions (cont'd)

	2001
Training Plan Fund – Residential Sector	
Balance sheet	
Employer contributions receivable	194
Equity	194
Basic insurance plans	
Balance sheet	
Employer contributions receivable	10 827
Not affected equity	10 827
Supplemental insurance plans	
Balance sheet	
Employer contributions receivable	826
Not affected equity	826

Unused employer contributions

For insurance plans, the employer contributions for the last four months of the fiscal year are recorded as of the present fiscal year as deferred income until the commitments corresponding to the period covered by the insurance are assumed by the insurance plans. Previously, these revenues were recorded when cashed.

This change, which has been applied retroactively without adjusting the figures for past fiscal years, increases the following items of the financial statements:

	2001
Basic insurance plans	
Balance sheet	
Unused employer contributions	44 258
Unappropriated equity	(44 258)
Supplemental insurance plans	
Balance sheet	
Unused employer contributions	2 830
Unappropriated equity	(2 830)

5. INVESTMENT INCOME – GENERAL FUND

The Commission's administrative regulations authorize it to use the interest earned on investments of the Back Pay, Employer Contributions, Union Assessment and Special Compensation funds for its administration. Income from these fund investments allocated to the General Fund and those from investments of the General Fund break down as follows:

	2001	2000
Back Pay Fund		54
Employer Contributions Fund	38	40
Union Assessment Fund	137	141
Special Compensation Fund	91	53
	266	288
General Fund	950	332
	1 216	620

6. INVESTMENTS

6.1 Funds Entrusted to the Caisse de dépôt et placement du Québec – at fair value

Supplemental pension plan funds entrusted to the Caisse de dépôt et placement du Québec break down as follows:

	2001	2000
General account		
Demand deposits *		6 000
Advances from the Caisse de dépôt et placement du Québec **	(8 000)	
Participation deposits ***	3 217 300	3 571 915
Revenue receivable from the individual fund	18 533	21 828
	3 227 833	3 599 743
Complementary account		
Demand deposits *		5 001
Participation deposits ***	1 153 026	1 221 365
Revenue receivable from the individual fund	5 139	7 365
	1 158 165	1 233 731
Pensioners' account		
Advances from the Caisse de dépôt et placement du Québec **	(21 999)	(12 999)
Participation deposits ***	3 083 275	3 231 499
Revenue receivable from the individual funds	14 657	19 437
	3 075 933	3 237 937
	7 461 931	8 071 411

* In the General Fund of the Caisse.

** Advances at the daily call rate plus 5 basis points, repayable on demand.

*** The participating units in individual funds of the Caisse, held for each supplemental insurance plan, are expressed in units. These units are refundable with advance notice according to the Caisse's terms and conditions of settlement, at the fair value of the net equity of the individual fund at the end of each quarter. At the end of each quarter for an individual fund, the Caisse allocates to the Commission the net investment income, gains and losses resulting from the sale of investments.

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

6. INVESTMENTS (cont'd)

6.2 Investments and accrued revenue

a) General Fund, trust funds and insurance plans – at cost

	2001		2000	
	Cost	Fair value	Cost	Fair value
Cash on hand	62 574	62 574	30 310	30 310
Term deposits [a]	116 217	116 217	125 806	125 806
Bonds [b]	10 221	326 508	323 679	326 262
Shares	320 970	9 498	13 762	13 282
Broker's account [c]	630	630	533	533
Accrued interest	5 718	3 546	7 167	7 167
Total	516 330	518 973	501 257	503 360

(a) Maturing no later than May 9, 2002 at interest rates varying from 1.88% to 4.45%.
(b) The weighted average bond term is 4.25 years and the actual rate of return is 4.54%.
(c) Corresponds to the broker's margin for the compensation of appreciation or depreciation on futures contracts.

Investments and accrued revenue break down as follows:

	2001	2000
General Fund	20 683	15 631
Holiday and Vacation Pay Fund	119 360	121 648
Back Pay Fund	809	653
Employer Contributions Fund	1 266	925
Union Assessment Fund	3 422	2 620
Special Compensation Fund	2 048	1 444
Eligibility Fund	1 794	1 387
Training Plan Fund - Work Sectors	108 464	102 271
Training Plan Fund - Residential Sector	15 406	12 531
Basic insurance plans	222 248	223 314
Supplemental insurance plans	20 330	18 833
	516 330	501 257

b) Supplemental pension plan - at fair value

	2001		2000	
	Cost	Fair value	Cost	Fair value
Cash on hand	36 992	36 992	11 720	11 720
Term deposits [a]	16 834	16 834	14 739	14 739
Bonds [b]	32 710	32 940	32 516	32 634
Accrued interest	418	418	659	659
	86 954	87 184	59 634	59 752

(a) Maturing no later than May 9, 2002 at interest rates varying from 1.88% to 4.45%.
(b) The weighted average bond term is 4.25 years and the actual rate of return is 4.54%.

6. INVESTMENTS (cont'd)

6.2 Investments and accrued revenue (cont'd)

b) Supplemental pension plan - at fair value (cont'd)

Investments and accrued interest break down as follows:

	2001	2000
Supplemental pension plan - general account	11 509	3 778
Supplemental pension plan - complementary account	17 807	7 642
Supplemental pension plan - pensioners' account	57 868	48 332
	87 184	59 752

7. OFF-BALANCE SHEET DERIVATIVE FINANCIAL INSTRUMENTS

To manage its investments, the Commission uses various derivative financial instruments for adjustment or covering purposes.

The table below presents the notional reference amounts and fair values of the Commission's derivative financial instruments:

	2001		2000	
	Notional reference amount	Fair value	Notional reference amount	Fair value
Future contracts on stock market indices				
Long position	69 728	115	70 988	(1 470)
Short position	(1 523)	11	9 999	1 803
Forward exchange contracts				
Short position	27 179	(149)	28 162	(98)
Interest rate swap agreements	38 000	(2 172)	38 000	(848)
Saw agreement on stock market index	81 730		76 489	
	215 114	(2 195)	223 638	(613)

The fair value reflects the estimated amounts that the Commission will receive where favourable contracts are settled or will have to pay to terminate unfavourable contracts on the dates the financial data was presented. The Commission's security brokers' or bankers' rates are available for these future contracts on stock market indices, exchange contracts and interest and stock market swaps.

The Commission deals only with reputable financial institutions, so that the credit risk is virtually zero. Exchange risks related to investments denominated in foreign currency are covered by forward exchange contracts.

Two treasury bills, one for $2 500 000 maturing March 14, 2002 and the other for $500 000 maturing March 28, 2002, guarantee the futures contracts.

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

8. FIXED ASSETS

	2001			2000
	Cost *	Accumulated depreciation	Net	Net
Land	672		672	672
Buildings	8 718	5 034	3 684	3 903
Building fit-up	1 968	992	976	1 111
Furniture and equipment	6 657	5 101	1 556	1 189
Data processing equipment	4 494	3 177	1 317	979
Computer software	2 525	1 941	584	281
Leasehold improvements	552	364	188	66
	25 586	16 609	8 977	8 201
Data processing equipment under capital leases	351	273	78	142
	25 937	16 882	9 055	8 343

* Gouvernement du Québec subsidies paid to help fight black-market labour are applied against the cost of fixed assets and break down as follows:

	2001			2000
	Cost	Accumulated depreciation	Net	Net
Furniture and equipment	510	152	358	298
Data processing equipment	1 279	724	555	690
Computer software	359	264	95	103
Leasehold improvements	127	62	65	15
	2 275	1 202	1 073	1 106

9. BANK BORROWING

The Commission has an authorized credit line with financial institutions that is renewable annually on July 1. At December 31, 2001, the maximum amount the Commission could use was $7 000 000. Amounts used bear interest at the prime rate.

10. LONG-TERM DEBT

	2001	2000
Commitment under a capital lease, 7.19%, maturing in 2001		27
Commitment under a capital lease, 6.84%, maturing in 2002	19	80
	19	107
Payment maturing within one year	19	88
		19

10. LONG-TERM DEBT (cont'd)

Payments of principal on the long-term debt for the next fiscal years, given the above-mentioned renewal, are as follows:

2002	23
Amount representing interest included in the minimum payments required	4
	19

11. CASH FLOWS

	2001	2000
Change on non-cash elements of the Working Capital Fund		
Increase in withdrawals receivable	(245)	(280)
Change in accounts receivable	742	(472)
Change in subsidy receivable from the Gouvernement du Québec	(2 582)	110
Change in prepaid expenses	138	(166)
Change in accounts payable and accruals	3 204	(547)
Change in deferred income	(112)	365
Increase in deferred Gouvernement du Québec subsidy	2 869	311
	4 014	(679)

The cash and cash equivalents shown in the cash flow statement for the General Fund include the following amounts recorded in the balance sheet:

	2001	2000
Cash on hand	533	79
Investment and accrued revenue *	6 323	4 610
	6 856	4 689

* These investments and accrued revenue are those maturing within three months.

The interest and bank charges paid by the Commission totalled $728 656 (2000: $519 139).

12. EQUITY OF THE ELIGIBILITY FUNDS

The eligibility funds have been grouped into a single fund for the purpose of financial statement presentation. As at December 31, the equity of each fund is as follows:

	2001	2000
Eligibility Fund – Mechanics	76	66
Eligibility Fund – Locksmiths	64	57
Eligibility Fund – Erectors, linemen	33	33
Eligibility Fund – Reinforcing steel erectors	51	32
Eligibility Fund – Electricians	543	387
Eligibility Fund – Tinsmiths	150	110
Eligibility Fund – Boilermakers	128	96
Eligibility Fund – Pipefitters and pipe welders	792	606
	1 837	1 387

13. TRAINING FUNDS – ESTIMATED COST OF CARRYING OUT TRAINING ACTIVITIES AND TRAINING INCENTIVES

The cost of carrying out training activities for the residential sector includes the value of courses for workers strictly in this sector. Until the specific fund utilization rules are defined and agreements entered into between the Training Fund Plan – Residential Sector Committee and the Training Fund Use Management Committee, the amount presented in the financial statements is likely to change.

Training activities totalling $763 834 were attended by construction industry workers from the residential and non-residential sectors. These amounts are presented under the Construction Industry Worker Training Fund.

Part of this amount, as well as the training incentives presented in the Construction Industry Worker Training Fund, may eventually be charged to the residential sector, once specific rules have been set and agreements reached by the two committees.

14. COMMITMENTS AND NET ASSETS AVAILABLE FOR BENEFITS UNDER THE SUPPLEMENTAL PENSION PLAN

The accounting firm Groupe-conseil Aon established the value of commitments under the general account and the pensioners' account using data as at January 1, 2000, provided by the Commission. The actuarial valuation was extrapolated to December 31, 2000. The complementary account is not included in the valuation, since this part of the plan is a defined contribution provision.

Commitments were determined using the accumulated benefit method, whereby commitments correspond to the actuarial present value, i.e. at the time of valuation, of pension claims and other benefits payable based on adjusted hours accumulated at that time.

According to this valuation, the actuarial commitments of this plan towards contributors are as follows:

	2001	2000
General account	3 633 061	3 641 093
Pensioners' account	3 302 447	3 024 435
Commitments	6 935 508	6 665 528

The actuarial present value of net assets available for benefits was established so as to reflect long-term market trends. This valuation is based on a method whereby the actuarial present value of assets is determined based on the difference between the real and anticipated market values of investments over the previous two years.

Actuarial present value of assets:

	2001	2000
Net assets available for benefits:		
General account	3 193 922	3 574 866
Pensioners' account	3 201 629	3 326 792
	6 395 551	6 901 658
Fair value changes not reflected in actuarial value of net assets	634 472	80 076
Actuarial value of net assets available for benefits	7 030 023	6 981 734

15. ACTUARIAL LIABILITIES OF INSURANCE PLANS

In accordance with a self-management system for the insurance plans of employees of the Québec construction industry, the plans assume a limited share of risks, certain insurance guarantees are obtained and the task of settling certain disputes is delegated.

In accordance with sections 100 to 103 of the Regulation respecting complementary social benefits plans in the construction industry, a consulting actuary carried out an actuarial valuation of the plans as at December 31, 2001 to confirm the solvability of the insurance plans.

Commitments under the plans were extrapolated to December 31, 2001. The Commission accounted for the required sums as follows:

	2001	2000
Commitment related to the next insurance period	68 858	57 422
Reserve for committed benefits	26 446	20 610
Reserve for disability pensions	34 537	37 411
	129 841	115 443

16. RESERVE FOR HEALTH MANAGEMENT PROGRAM

Since 1998, contributions of 3¢/hour are paid into the basic plan fund in order to gradually set up a health management program. This program provides unconventional insurance coverage targeting prevention, customized measures and rehabilitation in order to rein in the increase in the cost of traditional coverage provided by the plans. The Commission committed to using these contributions to pay for the different current and future components implemented under the program.

	2001	2000
Opening balance	6 674	4 587
Net change in reserve over year	2 646	2 087
Closing balance	9 320	6 674

17. EQUITY OF THE SUPPLEMENTAL INSURANCE PLANS

The insurance plans have been grouped into a single plan for the purpose of financial statement presentation. As at December 31, the equity of each plan is as follows:

	2001	2000
Electricians	8 965	9 565
Roofers	783	896
Tinsmiths	576	625
Pipefitters and pipe welders	2 913	2 869
Linemen	660	648
Fire protection mechanics	241	155
Refrigeration mechanics	333	239
	14 471	14 997

18. COMMITMENTS

The Commission is committed to long-term leases for office space expiring on various dates up to February 28, 2007. These leases include a five-year renewal option.

Lease payments for the year ended December 31, 2001, amount to $1 022 876 ($896 730 in 2000). The minimum lease payments for the next five years are as follows:

	2001
2002	923
2003	848
2004	723
2005	560
2006	102
	3 156

19. CONTINGENCIES

Legal proceedings against the Commission, in the amount of $2 783 926, were under way on the date the financial statements were prepared. In some of these proceeding, the Commission's insurers took up its defence. On the basis of the information available, management is of the opinion that it is unlikely that its liability will be considered significant with regard to these proceedings in comparison with the Commission's financial position. Any payment by the Commission, where applicable, will be recorded to the charges for the fiscal year.

20. FRINGE BENEFITS OF COMMISSION DE LA CONSTRUCTION DU QUÉBEC EMPLOYEES

The supplemental pension plan for unionized employees of the Commission de la construction du Québec and the supplemental pension plan for non-unionized Commission employees are defined benefit plans and include guaranteed payments upon retirement and death. All permanent employees must contribute to the plans.

The Commission also offers its retirees defined-benefit health insurance and life insurance plans and retirement bonuses.

According to the actuarial calculations performed for fiscal 2001, the Commission's net charge is as follows:

	Pension plans		Other plans	
	2001	2000	2001	2000
Net charge	2 514	2 404	3 153	2 909

The information concerning the defined-benefit plans, taken collectively, and the liability for the benefits accrued under the plans is as follows at December 31:

	Pension plans		Other plans	
	2001	2000	2001	2000
Obligations for benefits accrued	198 135	179 456	28 155	27 833
Fair value of plan assets	212 145	216 561		
Capitalization situation – surplus (deficit	14 010	37 105	(28 155)	(27 833)
Asset (liability) for benefits accrued minus the provision for depreciation in value			(29 206)	(26 989)

20. FRINGE BENEFITS OF COMMISSION DE LA CONSTRUCTION DU QUÉBEC EMPLOYEES (cont'd)

The amount recorded in the balance sheets under assets for benefits accrued under pension plans as at December 31, 2001 is decreased by a $41 086 000 provision for a depreciation in value.

The significant actuarial assumptions used by the Commission to evaluate its obligations under benefits accrued are the following (weighted average of assumption as at December 31).

	Pension plans		Other plans	
	2001	2000	2001	2000
Capitalization rate	6.75%	7.00%	6.75%	7.00%
Rate of return projected on plan assets, long-term	7.75%	7.75%		
Remuneration growth rate	4.00% to 5.00%	4.00% to 5.00%		

For evaluation purposes, the hypothetical annual growth rate of the cost of health care covered by participant was set at 10% for 2002. According to the assumption chosen, this rate should diminish by 1% annually to reach 5% in 2006 and then remain there.

The other information concerning the Commission's predefined benefit plans is as follows:

	Pension plans		Other plans	
	2001	2000	2001	2000
Employer contributions	2 514	2 404		
Employee contributions	1 914	1 832		
Benefits paid	7 919	7 317	936	963

21. COMPARATIVE FIGURES

Certain 2000 figures were reclassified for consistency with the presentation adopted in 2001.

COMMISSION DE LA CONSTRUCTION DU QUÉBEC

SUPPLEMENTAL PENSION PLAN FOR EMPLOYEES OF THE QUÉBEC CONSTRUCTION INDUSTRY OF QUÉBEC

ACTUARIAL VALUATION AS AT DECEMBER 31, 2001
ACTUARIAL OPINION

The Supplemental Pension Plan for Québec construction industry employees was evaluated at December 31, 2001, based on the Regulation in effect at the time, the basic pension rates, the percentage of the supplement defined by ruling CCQ-0102914, which took effect on January 1, 2001.

We certify that in our opinion,

a) At December 31, 2001, the pension fund posted surplus assets of $94 515 000, all of which are found in the pensioners' account, and to which were added a $34 972 000 reserve for economic fluctuations in the general account and a $216 048 000 reserve for unfavourable variances in the pensioners' account;

b) Employee and employers contributions paid into the plan, $2675 from January 1, 2002 to April 27, 2002 and $2925 from April 28 2002 to December 31, 2002 per hour worked, are sufficient to cover the commitments of the application plan for the year 2002 of the basic pension rate of $454/$1000 of adjusted hours worked, contributions for amortization and the provision for expenditures until the plan's next actuarial valuation;

c) The pension fund showed a degree of solvability of 92.62% as at December 31, 2001;

d) The data on which this valuation is based are adequate and reliable;

e) The assumptions on which this valuation is based are appropriate;

f) The actuarial valuation methods used are appropriate.

This report and the opinions it contains were produced in accordance with generally accepted actuarial practices.

Claude Lockhead, FICA, FSA
Pierre Guérin, FICA, FSA

Montréal, December 19, 2001

COMMISSION DE LA CONSTRUCTION DU QUÉBEC

BASIC INSURANCE PLANS

ACTUARIAL CERTIFICATE CONCERNING THE BASIC INSURANCE PLANS FOR EMPLOYEES OF THE QUÉBEC CONSTRUCTION INDUSTRY AND WHICH REFLECTS THE CHANGES DESCRIBED IN THE DOCUMENT

The commitments to the basic insurance plans were valued as at December 31, 2001. This valuation is based on the data and costs provided by the Commission.

In our opinion,

a) At December 31, 2001, the net assets of the basic plans were $55 214 000 higher than the sum of the commitments for the plans;

b) The contribution rates foreseen when the valuation report was tabled in December 2001, i.e. $1.20/hour before September 30, 2001, $1.26/hour at September 30, 2001, $1.32/hour at April 28, 2002 and $1.38/hour at April 27, 2003 are sufficient to ensure the solvability of the basic plans at the end of the three-year period ending December 31, 2004 and to maintain the contingency fund's capitalization at its maximum value of $10 000 000 until the end of the first half year of 2004. At December 31, 2004, the contingency fund will be $7 405 000, slightly under its maximum level.

This actuarial certificate is based on a valuation that was carried out using assumptions we consider adequate and appropriate, and methods that make use of sound actuarial principles.

Respectfully submitted for your consideration in March 15, 2002.

Groupe-conseil Aon
François Boisvenue, FICA, FSA

SUPPLEMENTAL INSURANCE PLAN FOR ELECTRICIANS

ACTUARIAL CERTIFICATE CONCERNING THE SUPPLEMENTAL INSURANCE PLAN FOR ELECTRICIANS WORKING IN THE QUÉBEC CONSTRUCTION INDUSTRY AND WHICH REFLECTS THE CHANGES DESCRIBED IN THE DOCUMENT.

The commitments to the supplemental insurance plan for electricians were valued as December 31, 2001. This valuation is based on the data and costs provided by the Commission.

In our opinion,

a) at December 31, 2001, the net assets of the supplemental insurance plan for electricians were $8 333 000 higher than the sum of the commitments for the plan;

b) the contribution rate foreseen when the valuation report was tabled on December 2001, i.e. $0.207/hour, is sufficient to ensure the solvability of the supplemental insurance plan for electricians for the three-year period ending December 31, 2004.

This actuarial certificate is based on a valuation that was carried out using assumptions we consider adequate and appropriate, and methods that make use of sound actuarial principles.

Respectfully submitted for your consideration in March 15, 2002.

Groupe-conseil Aon
François Boisvenue, FICA, FSA

COMMISSION DE LA CONSTRUCTION DU QUÉBEC

SUPPLEMENTAL INSURANCE PLAN FOR ROOFERS

ACTUARIAL CERTIFICATE CONCERNING THE SUPPLEMENTAL INSURANCE PLAN FOR ROOFERS WORKING IN THE QUÉBEC CONSTRUCTION INDUSTRY AND WHICH REFLECTS THE CHANGES DESCRIBED IN THE DOCUMENT.

The commitments to the supplemental insurance plan for roofers was valued as December 31, 2001. This valuation is based on the data and costs provided by the Commission.

In our opinion,

a) at December 31, 2001, the net assets of the supplemental insurance plan for roofers were $753 000 higher than the sum of the commitments for the plan;

b) the contribution rate foreseen when the valuation report was tabled on December, 2001, i.e. $0.20/hour is sufficient to ensure the solvability of the supplemental insurance plan for roofers for the three-year period ending December 31, 2004.

This actuarial certificate is based on a valuation that was carried out using assumptions we consider adequate and appropriate, and methods that make use of sound actuarial principles.

Respectfully submitted for your consideration in March 15, 2002.

Groupe-conseil Aon
François Boisvenue, FICA, FSA

SUPPLEMENTAL INSURANCE PLAN FOR TINSMITHS

ACTUARIAL CERTIFICATE CONCERNING THE SUPPLEMENTAL INSURANCE PLAN FOR TINSMITHS WORKING IN THE QUEBEC CONSTRUCTION INDUSTRY AND WHICH REFLECTS THE CHANGES DESCRIBED IN THE DOCUMENT.

The commitments to the supplemental insurance plan for tinsmiths were valued as at December 31, 2001. This valuation is based on the data and costs provided by the Commission.

In our opinion,

a) at December 31, 2001, the net assets of the supplemental insurance plan for tinsmiths were $632 000 higher than the sum of the commitments for the plan;

b) the contribution rate foreseen when the valuation report was tabled on December 2001, i.e. $0.10/hour is sufficient to ensure the solvability of the supplemental insurance plan for tinsmiths for the three-year period ending December 31, 2004.

This actuarial certificate is based on a valuation that was carried out using assumptions we consider adequate and appropriate, and methods that make use of sound actuarial principles.

Respectfully submitted for your consideration, in March 15, 2002.

Groupe-conseil Aon
François Boisvenue, FICA, FSA

COMMISSION DE LA CONSTRUCTION DU QUÉBEC

SUPPLEMENTAL INSURANCE PLAN FOR LINEMEN

ACTUARIAL CERTIFICATE CONCERNING THE SUPPLEMENTAL INSURANCE PLAN FOR LINEMEN WORKING IN THE QUÉBEC CONSTRUCTION INDUSTRY AND WHICH REFLECTS THE CHANGES DESCRIBED IN THE DOCUMENT.

The commitments to the supplemental insurance plan for linemen were valued as at December 31, 2001. This valuation is based on the data and costs provided by the Commission.

In our opinion:

a) at December 31, 2001, the net assets of the supplemental insurance plan for linemen were $651 000 higher than the sum of the commitments for the plan;

b) the contribution rate foreseen when the valuation report was tabled on December 2001, i.e. $0.20/hour is sufficient to ensure the solvability of the supplemental insurance plan for linemen for the three-year period ending December 31, 2004.

This actuarial certificate is based on a valuation that was carried out using assumptions we consider adequate and appropriate, and methods that make use of sound actuarial principles.

Respectfully submitted for you consideration, in March 15, 2002.

Groupe-conseil Aon
François Boisvenue, FICA, FSA

SUPPLEMENTAL INSURANCE PLAN FOR PIPEFITTERS AND PIPE WELDERS

ACTUARIAL CERTIFICATE CONCERNING THE SUPPLEMENTAL INSURANCE PLAN FOR PIPEFITTERS AND PIPE WELDERS WORKING IN THE QUÉBEC CONSTRUCTION INDUSTRY AND WHICH REFLECTS THE CHANGES DESCRIBED IN THE DOCUMENT DATED MARCH 13, 2001.

The commitments of the supplemental insurance plan for pipefitters and pipe welders were evaluated as at December 31, 2001. This valuation is based on the data and costs provided by the Commission.

In our opinion:

a) at December 31, 2001, the net assets of the supplemental insurance plan for pipefitters and pipe welders were $2 808 000 higher than the sum of the commitments for the plan;

b) the contribution rate foreseen when the valuation report was tabled on December, 2001, i.e. $0.207/hour is sufficient to ensure the solvability of the supplemental insurance plan for pipefitters and pipe welders for the three-year period ending December 31, 2004.

This actuarial certificate is based on a valuation that was carried out using assumptions we consider adequate and appropriate, and methods that make use of sound actuarial principles.

Respectfully submitted for you consideration, in March 15, 2002.

Groupe-conseil Aon
François Boisvenue, FICA, FSA

COMMISSION DE LA CONSTRUCTION DU QUÉBEC

SUPPLEMENTAL INSURANCE PLAN FOR FIRE PROTECTION MECHANICS
ACTUARIAL CERTIFICATE CONCERNING THE SUPPLEMENTAL INSURANCE PLAN FOR FIRE PROTECTION MECHANICS WORKING IN THE QUÉBEC CONSTRUCTION INDUSTRY AND WHICH REFLECTS THE CHANGES DESCRIBED IN THE DOCUMENT.

The commitments to the supplemental insurance plan for fire protection mechanics were valued as at December 31, 2001. This valuation is based on the data and costs provided by the Commission.

In our opinion:

a) at December 31, 2001, the net assets of the supplemental insurance plan for fire protection mechanics were $215 000 higher than the sum of the commitments for the plan;

b) the contribution rate foreseen when the valuation report was tabled on December, 2001, i.e. $0.207/hour is sufficient to ensure the solvability of the supplemental insurance plan for fire protection mechanics for the three-year period ending December 31, 2004.

This actuarial certificate is based on a valuation that was carried out using assumptions we consider adequate and appropriate, and methods that make use of sound actuarial principles.

Respectfully submitted for you consideration, in March 15, 2002.

Groupe-conseil Aon
François Boisvenue, FICA, FSA

SUPPLEMENTAL INSURANCE PLAN FOR REFRIGERATION MECHANICS

ACTUARIAL CERTIFICATE CONCERNING THE SUPPLEMENTAL INSURANCE PLAN FOR REFRIGERATION MECHANICS WORKING IN THE QUÉBEC CONSTRUCTION INDUSTRY AND WHICH REFLECTS THE CHANGES DESCRIBED IN THE DOCUMENT.

The commitments of the supplemental insurance plan for refrigeration mechanics were evaluated as at December 31, 2001. This valuation is based on the data and costs provided by the Commission.

In our opinion:

a) At December 31, 2000, the net assets of the supplemental insurance plan for refrigeration mechanics were $234 000 higher than the sum of the commitments for the plan.

b) The contribution rate foreseen when the valuation report was tabled in December 2001, i.e. $0.15/hour, is sufficient to ensure the solvability of the supplemental insurance plan for refrigeration mechanics for the three-year period ending December 31, 2004.

This actuarial certificate is based on a valuation that was carried out using assumptions we consider adequate and appropriate, and methods that make use of sound actuarial principles.

Respectfully submitted for you consideration, in March 15, 2002.

Groupe-conseil Aon
François Boisvenue, FICA, FSA

COMMISSION DE LA CONSTRUCTION DU QUÉBEC

MANAGEMENT'S REPORT

The financial statements of the General Fund of the Commission, the trust funds, the supplemental pension plan fund and insurance plans fund were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing the appropriate accounting policies as disclosed in Note 3 to the financial statements. The financial data contained in the remainder of the annual activity report concords with the information provided in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements. The internal auditing department conducts periodic audits in ensure that internal controls are adequate and applied uniformly on an ongoing basis by the Commission.

The Commission recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The Board of Directors oversees the manner in which management carried out its financial reporting duties, and has approved the financial statements. It was assisted in these duties by the auditing committee, which meets with management and the auditor, examines the financial statements and recommends that the Board of Directors approve them.

The actuaries of the firm Groupe-conseil Aon were named actuarial consultants by the Commission. Their role consisted in valuating the commitments and actuarial reserves indicated in the respective financial statements of the Supplemental Pension Plan Fund and the Insurance Plans Fund. They presented their conclusions to the Commission.

The Auditor General of Québec has audited the financial statements of the General Fund of the Commission, the trust funds, the supplemental pension plan fund and insurance plans fund, in accordance with generally accepted auditing standards. His report states the nature and scope of his audits and his opinion.

André Ménard
President-Chief Executive Officer

May 10, 2002

COMMISSION DE LA CONSTRUCTION DU QUÉBEC

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the General Fund of the Commission de la construction du Québec as at December 31, 2001, and the statements of revenue and expenditure and fund balance and change in cash flows for the year then ended.

I also audited the state of the net assets available for the service of the supplemental pension plan benefits and the balance sheets or statements of assets and liabilities for the insurance plans and the following trust funds administered by the Commission de la construction du Québec as at December 31, 2001 and the statements of change in net available assets for the service of benefits, their equity and their assets during the fiscal year then ended:

Trust Funds:

Holiday and Vacation Pay Fund
Back Pay Fund
Employer Contributions Fund
Union Assessment Fund
Special Compensation Fund
Eligibility Fund
Training Plan Fund – Work Sections
Training Plan Fund – Residential Sector

These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting policies used, the significant estimates made by management and the financial statements' overall presentation.

As mentioned in Note 2.2 h, the Commission did not apply the Act the amend the Supplemental Pension Plans Act (2000, c. 41), which came into effect on January 1, 2001. The actuarial valuation enabling the value of this plan's commitment to be established as at December 31, 2001, as presented in Note 14, does not reflect the amendments required by the Act. Since the Commission did not evaluate the impact of applying this Act, I was unable to determine the effect of the adjustments that should have been made to the commitments of the supplemental pension plan for Québec construction industry employees as at December 31, 2001.

In my opinion, with the exception of the adjustments to the above-mentioned supplemental pension plan commitments, these financial statements present fairly, in all material respects, the financial position of the funds and plans as at December 31, 2001 and the results of the General Fund's operations and cash flows and the change in net assets available for the service of supplemental pension plan benefits and the equity or assets of the insurance plans and trust funds for the year then ended, in accordance with the accounting principles disclosed in Note 3. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, given the retroactive application of the changes made to the accounting treatment of vacation pay, employer and employee contributions and unused employer contributions disclosed in Note 4, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, May 10, 2002

COMMISSION DE LA SANTÉ ET DE LA SÉCURITÉ DU TRAVAIL
(R.S.Q., c. S-2.1)

REVENUE AND EXPENDITURE
for the fiscal year ended December 31, 2001
(in thousands of dollars)

	2001	2000
REVENUE		
Employers' assessments (Note 4)	1 611 064	1 725 830
Investment income and interest on assessments (Note 5)	500 497	833 796
Other income	3 542	1 774
	2 115 103	2 561 400
EXPENDITURE		
Compensation programs (Note 6)		
Benefits paid	1 347 298	1 261 063
Variation in actuarial liability (Note 20)	469 127	37 461
	1 816 425	1 298 524
For A Safe Maternity program (Note 7)		
Benefits paid	128 004	108 648
Variation in actuarial liability (Note 20)	6 333	2 399
	134 337	111 047
Prevention programs (Note 8)	96 851	92 124
Administrative expenses (Note 9)		
Fiscal year's expenses	354 704	349 005
Variation in actuarial liability (Note 20)	5 887	(5 678)
	360 591	343 327
Funding of administrative tribunals (Note 10)		
Fiscal year's contributions	46 645	44 378
Variation in actuarial liability (Note 20)	4 503	(4 663)
	51 148	39 715
Other expenses (Note 11)	20 978	26 714
Variation in the provision for deviations in the real rate of return (Note 19)	(283 773)	
	2 196 557	1 911 451
(DEFICIENCY) EXCESS REVENUE OVER EXPENDITURE	(81 454)	649 949
CONSISTING OF:		
Result related to funding elements	39 107	144 030
Surplus related to the real rate of return		324 530
Operating (deficit) surplus for the current fiscal year (Note 12)	(120 561)	181 389

COMMISSION DE LA SANTÉ ET DE LA SÉCURITÉ DU TRAVAIL

ACCUMULATED DEFICITS
for the fiscal year ended December 31, 2001
(in thousands of dollars)

	2001				2000
	Consolidated (deficit) as at Jan. 1, 2000	Accumulated variations related to the real rate of return	Other accumulated items	Total	Total
SURPLUSES (DEFICITS) AT THE BEGINNING					
Balance already established	(777 880)	911 799	178 624	312 543	(337 406)
Adjustments as at January 1, 2001 (Note 3)					
Introduction of the provision for deviations in the real rate of return		(911 799)		(911 799)	
ADJUSTED BALANCE	(777 880)		178 624	(599 256)	(337 406)
RESULT RELATED TO APPLICATION OF THE CAPITALIZATION POLICY					
Employers' assessments					
Assessments related to funding	104 000		(27 138)	76 862	(76 227)
Assessments related to the principal portion of the balance due on the Civil Service Superannuation Plan					4 627
Assessments related to the retrospective plan			18 775	18 775	(10 672)
	104 000		(8 363)	95 637	(82 272)
Interest related to the retrospective plan			2 193	2 193	(689)
Interest on accumulated (deficits) Surpluses	(54 512)		10 687	(43 825)	(12 221)
Change in assumption for the real rate of return as at January 1, 2000					255 348
Operation of electronic commerce products and services			(14 898)	(14 898) *	(16 136)
	49 488		(10 381)	39 107	144 030
SURPLUS RELATED TO THE REAL RATE OF RETURN					324 530
OPERATING (DEFICIT) SURPLUS FOR THE CURRENT FISCAL YEAR					
Surplus related to the current year's financial needs			801	801	83 430
(Deficit) surplus related to the previous years' financial needs			(121 362)	(121 362)	97 959
Amounts carried forward			(120 561)	(120 561)	181 389

COMMISSION DE LA SANTÉ ET DE LA SÉCURITÉ DU TRAVAIL

ACCUMULATED SURPLUSES (cont'd)
for the fiscal year ended December 31, 2001
(in thousands of dollars)

	2001				2000
	Consolidated (deficit) as at Jan. 1, 2000	Accumulated variations related to the real rate of return	Other accumulated items	Total	Total
Amounts brought forward			(120 561)	(120 561)	181 389
(DEFICIENCY) EXCESS INCOME OVER EXPENDITURE	49 488		(130 942)	(81 454)	649 949
(DEFICITS) SURPLUSES AT THE END	(728 392)		47 682	(680 710)	312 543

* This $14 898 445 amount corresponds to fiscal 2001 expenses (2000: $16 135 955) for the operation of electronic commerce products and services. This expense is applied in reduction of the $50 000 000 amount allocated for this end from the 1997 current year's operating surplus. After charging this expense, the available balance to this end for the next fiscal year stands at $7 124 358 (2000: $22 022 803).

COMMISSION DE LA SANTÉ ET DE LA SÉCURITÉ DU TRAVAIL

BALANCE SHEET
as at December 31, 2001
(in thousands of dollars)

	2001	2000
ASSETS		
Cash on hand	3 471	7 757
Assessments due and other receivables (Note 13)	304 638	352 996
Funds deposited in the Caisse de dépôt et placement du Québec (Note 14)	8 173 598	8 064 151
Real estate selling price balance (Note 15)	5 886	6 828
Fixed assets (Note 16)	27 678	30 588
	8 515 271	8 462 320
LIABILITIES		
Outstanding cheques	20 502	22 892
Accounts payable and accruals	30 829	43 944
Assessments collected in advance	20 307	31 703
Provision for sick leave, vacation time and assisted departures (Note 17)	74 859	73 878
Provision for assessment refunds (Note 18)	46 616	88 313
Deposits by employers personally liable for the payment of benefits	11 816	11 871
Provision for deviations in the real rate of return	628 026	
Actuarial liability (Note 20)	8 363 026	7 877 176
	9 195 981	8 149 777
ACCUMULATED (DEFICIT) SURPLUS	(680 710)	312 543
	8 515 271	8 462 320

COMMITMENTS AND CONTINGENCY (Note 22)

For the Board of Directors,
Gilles Taillon
Henri Massé

COMMISSION DE LA SANTÉ ET DE LA SÉCURITÉ DU TRAVAIL

CASH FLOWS
for the fiscal year ended December 31, 2001
(in thousands of dollars)

	2001	2000
OPERATING ACTIVITIES		
(Deficiency) excess revenue over expenditure	(81 454)	649 949
Adjustments for:		
Depreciation of fixed assets	12 748	13 189
Gain on disposal of fixed assets	(63)	(85)
Change in the provision for sick leave, vacation time and severance pay	981	3 594
Change in the provision for repayment of contributions	(41 697)	(40 154)
Change in the provision for fluctuation of the real rate of return	(283 773)	
Increase in actuarial liability	485 850	29 519
Gain on the disposal of participation units – Fund Entrusted to the Caisse de dépôt et placement du Québec	(39 442)	
Amortization – Value based on market value – Fund entrusted to the Caisse de dépôt et placement du Québec	(161 846)	(432 883)
	(108 696)	223 129
Change in non-cash elements:		
Contributions receivable and other receivables	48 358	62 559
Investment income receivable – Funds entrusted to the Caisse de dépôt et placement du Québec	24 617	26 629
Accounts payable and accruals	(13 115)	10 317
Assessments collected in advance	(11 396)	(2 466)
Deposits by employers personally liable for the payment of benefits	(55)	(513)
	48 409	96 526
Cash flows (used for) generated by operating activities	(60 287)	319 655
FINANCING ACTIVITIES		
Repayment – Balance owing for the Civil Service Superannuation Plan		(4 627)
Cash flows used for financing activities		(4 627)
INVESTMENT ACTIVITIES		
Fund entrusted to the Caisse de dépôt et placement du Québec:		
Acquisition of participation deposits	(327 573)	(1 007 913)
Proceeds from the sale of participation deposits	441 192	
Gains and losses on Caisse investments	99 782	459 829
Receipt of balance of sale price of an immovable	942	877
Acquisition of fixed assets	(9 874)	(12 162)
Proceeds from the sale of immovables	99	115
Cash flows generated by (used for) investment activities	204 568	(559 254)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	144 281	(244 226)
INSUFFICIENCY OF CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(356 370)	(112 144)
INSUFFICIENCY OF CASH AND CASH EQUIVALENTS, END OF YEAR (Note 21)	(212 089)	(356 370)

COMMISSION DE LA SANTÉ ET DE LA SÉCURITÉ DU TRAVAIL

COMPLEMENTARY NOTES
as at December 31, 2001
(in thousands of dollars)

1. INCORPORATION, FUNCTIONS AND FUNDING

The Commission de la santé et de la sécurité du travail is a legal person, as defined in the Civil Code, incorporated on March 13, 1980 under the Act respecting occupational health and safety (R.S.Q., c. S-2.1). According to the Act, the CSST is responsible for developing, proposing and implementing occupational health and safety policies to ensure a better work environment. It collects the sums required under this Act from employers.

The CSST has entrusted the Institut de recherche Robert-Sauvé en santé et en sécurité du travail du Québec with the responsibility of developing, co-ordinating and conducting research activities that may help achieve the objectives of the Act respecting occupational health and safety. For this purpose, the CSST pays an annual budget equalization subsidy to the Institute.

In applying the Workmen's Compensation Act (R.S.Q., c. A-3) and the Act respecting industrial accidents and occupational diseases (R.S.Q., c. A-3.001), the CSST is also responsible for assessing employers annually, based on its funding method and following actuarial valuations, at the rates applicable to the units under which the employers are classified or at their applicable personalized rates or, if necessary, based on the Regulation regarding the retrospective adjustment of assessments.

Under the Crime Victims Compensation Act (R.S.Q., c. I-6) and the Act to Promote Good Citizenship (R.S.Q., c. C-20), the CSST is also responsible for paying benefits and other indemnities to claimants. The sums required for the application and administration of these Acts are reimbursed by the Gouvernement du Québec.

Funding method

The CSST chooses the funding method that it deems appropriate to enable it to meet its expenses as they arise and to prevent employers from being unduly burdened thereafter with compensation payments attributable to past work-related injuries.

The CSST applies a ratemaking method that is more reflective of the dual role assigned to it by the law: as both a prevention agent and a public insurer.

The CSST determines the classification units by regulation on an annual basis and divides them into sectors.

For the purposes of assessment, the CSST classifies activities of each employer under one or more units according to the rules it determines by regulation. Set in accordance with basic insurance principles, the assessment varies in light of the risk associated with the activity performed and the cost of work-related injuries.

Employer's assessment rates are determined using one of the following three methods: unit-rate plan, personalized-rate plan and retrospective plan.

Which of these methods applies to a given employer depends on the size of the assessment.

Unit-rate plan

This assessment is calculated based on the rate of the unit under which this company's activities are classified. The unit rate is determined from the provincial average rate and the cost of work-related injuries associated with this unit.

Personalized-rate plan

This assessment is calculated based on a personalized rate, namely the rate of the unit under which the company's activities are classified, and adjusted to take into account the employer's prevention and return-to-work efforts.

Retrospective plan

The goal of this plan is to match, as much as possible, the employer's annual assessment with the real expenses for work-related injuries associated with the employer. Consequently, the employer's assessment for a given year is adjusted subsequently to reflect the real cost of work-related injuries that occurred in his company during the same year.

COMPLEMENTARY NOTES (cont'd)
as at December 31, 2001
(in thousands of dollars)

1. INCORPORATION, FUNCTIONS AND FUNDING (cont'd)

Funding policy

The CSST's full-funding policy is aimed at making its assets equal to its liabilities, without necessarily maintaining a surplus.

As a result, measures are planned to balance assets and liabilities as quickly as possible, without losing sight of the objectives of fairness, stability and prevention.

These measures cause adjustments to the employer's contribution and are presented separately in the note on employer's contributions.

The capitalization policy, amended in December 2001, provides primarily for the following:

- On January 1, 2001, introduce a provision for fluctuation of the real rate of return at a level corresponding to the balance of cumulated deviations in the real rate of return At December 31, 2000, as presented separately in the statement of cumulated surplus on this date;
- Amortize, with interest, over an eight-year period, the variations related to the real rate of return posted to the provision for fluctuation of the real rate of return. However, the amortization amounts of the variations related to the real rate of return for previous years considered in 2001 and 2002 were established using the amortization mechanism adopted in May 2000 when the capitalization policy was revised;
- Amortize, with interest, the surpluses or deficits related to the current year's financial requirements, the next three times rates are set or using the retrospective method;
- Amortize, with interest, the deficits related to financial requirements for previous years, the next time rates are set over a five-year period;
- Amortize, with interest, the consolidated deficit at January 1, 2000, based on the terms and conditions provided for in 2001 and 2002 rate-setting, until 2013. However, for the year 2003, this deficit will not be amortized;
- Assign surpluses related to financial requirements for previous years to the reduction of the consolidated deficit at January 1, 2000.

Funding level

The funding level as at December 31, 2001 stood at 92.60% compared with 103.83% as at December 31, 2000. These percentages were established based on the proportion of assets over liabilities.

2. ACCOUNTING POLICIES

The CSST's financial statements have been prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include figures based on the best professional judgements and estimates.

A) Employers' assessments

Assessment income is determined on the basis of an estimate of the final assessments. This estimate is designed to take into account the total payroll as well as the final classification of each employer. It also takes into account, for both employers subject to the personalized-rate plan and those subject to the retrospective plan, disbursements that will be ultimately charged for the application of these methods.

B) Investment income

Gains and losses on investments in the individual fund at the Caisse de dépôt et placement du Québec are deferred and amortized.

In addition, the difference between the market value of investment deposits and their cost as at December 31 is accounted for using the declining-balance method.

This amortization and progressive posting, which are reflected in the income for the fiscal year, are calculated according to the straight-line depreciation method over a five-year period.

COMPLEMENTARY NOTES (cont'd)
as at December 31, 2001
(in thousands of dollars)

2. ACCOUNTING POLICIES (cont'd)

C) Funds deposited in the Caisse de dépôt et placement du Québec

The funds deposited in the Caisse de dépôt et placement du Québec include the investment deposits in an individual fund of the Caisse, related income receivable, a short-term loan from the general fund of the Caisse and related interest accruals.

The investment deposits in the individual fund are posted at a value based on their market value, which is made up of the unit acquisition cost of investment deposits, plus the progressive postings of the difference between the market value of the deposits and their cost, less the unamortized portion of the gains and losses on investments made by the Caisse.

D) Fixed assets

Fixed assets are posted at their original cost and depreciated in proportion to their estimated useful life, according to the straight-line depreciation method, at the following annual rates:

Buildings	2.5%
Furniture and equipment	10%
Rolling stock	25%
Computer hardware and software	20%
Telecommunications system	20%
Leasehold improvements	Duration of lease

E) Provision for assessment refunds

Provision related to final adjustments of assessments for employers subject to the retrospective plan

The goal of the retrospective plan is to match, as far as possible, the employer's annual assessment with the real expenses for work-related injuries associated with this employer. Consequently, the employer's assessment for a given year is adjusted subsequently to reflect the real cost of work-related injuries that occurred in his company during the same year.

The CSST enters annually as a provision for assessment refunds, the previous year's final adjustment estimates, as well as the previous years' revised estimates for this provision. The annual variation of this provision is applied to employers' assessment income.

However, this provision does not take into account the current year's final adjustment, considering the uncertainty related to this adjustment.

F) Provision for fluctuation in the real rate of return

The provision for fluctuation of the real rate of return is a mechanism for attenuating economic fluctuations which makes it possible to avoid excessive fluctuations in the mean contribution rate trop and in financial results and seeks to re-balance assets and liabilities over a specific period.

This provision comprises surpluses or deficits related to the real rate of return assumption. This assumption, which is set at an annual rate of 4%, is used to determine the present value of future payments subject to revaluation. The variation in the provision for fluctuation of the real rate of return is shown separately in the statement of revenue and expenditure.

The surpluses or deficits related to the real rate of return posted to the provision bear interest beginning the fiscal year following their disclosure and are amortized over an eight0year period beginning the second fiscal year following their inclusion in the provision. This two-year period is necessary, given that the rate has already been set for the year following the fiscal year.

However, the amount of the amortization of the variations related to the real rate of return for previous years considered in the 2001 and 2002 rates were established using the amortization mechanism adopted in May 2000, when the capitalization policy was revised. Consequently, the first amount of the amortization of surpluses for 1999 and 2000 represents the amount needed to offset the variation created by applying this different amortization mechanism. The unamortized balance of these surpluses is amortized over the remaining seven-year period with interest through unchanging annual amounts.

COMPLEMENTARY NOTES (cont'd)
as at December 31, 2001
(in thousands of dollars)

2. ACCOUNTING POLICIES (cont'd)

G) Actuarial liability

This liability includes the current estimated value of all future payments to be made regarding work-related injuries and the protective reassignment of pregnant or breast-feeding workers which occurred during the current fiscal year and during previous years, among all insured employers.

This liability includes provisions for pending benefit claims and for compensation of victims of industrial accidents whose claims will reach the CSST after the end of the current fiscal year. It also includes provisions for compensation of victims of work-related injuries who are now being compensated and those who will eventually be compensated following a relapse, a recurrence or an aggravation.

This liability includes a provision for future administrative expenses as well as the CSST's future contributions to the funding of administrative tribunals, in light of events that had occurred as at the end of the fiscal year.

The economic assumptions are established using the real long-term rate of return of 4.0%.

H) Cash and cash equivalents

The CSST's policy is to present, under cash and cash equivalents, bank balances including bank overdrafts whose balances often fluctuate between overdraft and available funds and the credit line used to cover these monthly shortages.

I) Pension plans

The accounting method used for defined-contribution pension plans is applied to government interenterprise defined-benefit plans, since the CSST lacks sufficient information to apply the accounting method for defined-benefits plans.

3. ACCOUNTING CHANGES

Introduction of a provision for fluctuation in the real rate of return

In 2000, the CSST had retroactively changed its accounting policy governing treatment of the provision for fluctuation in the real rate of return. This provision, which had previously been calculated based on the mechanism for levelling-out the actuarial liability, was eliminated. Beginning this fiscal year, given the changes made to the capitalization policy disclosed in Note 1, on January 1, 2001, the CSST introduced a provision for fluctuation of the real rate of return without levelling-out. Further, Note 2f indicates that the amortization of the provision for of the real rate of return in 2001 and 2002 is established using a different mechanism.

The retroactive application of this accounting policy without levelling-out establishes the balance of this provision at $2 100 000 000 at January 1, 2001. However, this retroactive application does not reflect the impact of management decisions made over the years in keeping with the capitalization policy then in effect, which restricted the provision to 10% of the actuarial liability for fiscal years prior to 2000. When these decisions are taken into account, the balance is $911 799 000 and corresponds to the balance of cumulated variations in the real rate of return at December 31, 2000, presented separately in the statement of cumulated surpluses at this date.

The effect of this change on the financial statements prior to and including the 2000 fiscal year was accounted for as at January 1, 2001 directly in the statement of accumulated deficits for the fiscal year ended December 31, 2001. The financial statements for the fiscal year ended December 31, 2000 were not adjusted to reflect this change.

This change increased (decreased) the following items in the financial statements for the fiscal year ended December 31, 2001:

COMPLEMENTARY NOTES (cont'd)
as at December 31, 2001
(in thousands of dollars)

3. ACCOUNTING CHANGES (cont'd)

	2001
Revenue and expenditure	
Revenue	
Variation in the provision for fluctuation in the real rate of return	(283 773)
Deficit of revenue over expenditure	(283 773)
Balance sheet	
Liabilities	
Provision for fluctuation in the real rate of return	628 026
Accumulated deficits	628 026

Based on the above, had this provision for fluctuation of real rate of return not been introduced, the deficit of revenue over expenditure would have been $365 227 000 for the fiscal year ended December 31, 2001 and the cumulated deficits would have been $52 684 000 at December 31, 2001.

4. EMPLOYERS' ASSESSMENTS

	2001	2000
Assessments related to the current ratemaking year *		
Current operations	1 758 538	1 772 800
Application of the capitalization policy		
Capitalization related to the consolidated deficit at January 1, 2000	104 000	121 900
Adjustment of the employers' contribution not subject to retrospective rate-setting resulting from the amortization of surpluses from previous fiscal years	(27 138)	(39 436)
Adjustment resulting from the amortization of the provision for fluctuation of the real rate of return **	(247 700)	(158 691)
Contribution related to the capital portion of the balance due to the Civil Service Superannuation Plan		4 627
	(170 838)	(71 600)
	1 587 700	1 701 200
Assessments related to previous ratemaking years		
Current operations:		
Assessment adjustments	25 923	28 602
(Decrease) increase resulting from a change in the provision for assessment refunds	(21 334)	6 700
	4 589	35 302
Application of the capitalization policy related to retrospective rate-setting		
Increase (decrease) resulting from a change in the provision for assessment refunds	18 775	(10 672)
	23 364	24 630
	1 611 064	1 725 830

COMPLEMENTARY NOTES (cont'd)
as at December 31, 2001
(in thousands of dollars)

4. EMPLOYER'S ASSESSMENTS (cont'd)

* The assessments for the 2001 ratemaking year are established based on an estimated coverage payroll of $84 000 000 000, while those for the 2000 ratemaking year were based on an estimated coverage payroll of $80 200 000 000 at the end of the previous fiscal year.

** For 2000, the adjustment resulted from the amortization of accumulated variations related to the real rate of return presented separately in the statement of cumulated surpluses for the fiscal year ended December 31, 2000.

5. INVESTMENT INCOME AND INTEREST ON ASSESSMENTS

	2001	2000
Investment income		
Investment deposits in an individual fund of the Caisse de dépôt et placement du Québec		
Income allocated to the Caisse	411 981	824 186
Less:		
Gains on investments by the Caisse	99 783	459 829
	312 198	364 357
Plus:		
Amortization of gains and losses on investments by the Caisse	195 125	222 758
Amortization of the difference between the market value of the investment deposit units and their cost	(33 279)	210 125
	474 044	797 240
Interest on short-term deposits at the Caisse		311
Interest on short-term loans at the Caisse	(7 598)	(8 060)
	466 446	789 491
Interest on bank balances and others	586	267
	467 032	789 758
Interest on assessments		
Required	41 936	47 981
Granted	(8 471)	(3 943)
	33 465	44 038
	500 497	833 796

6. COMPENSATION PROGRAMS

	2001	2000
Expenses due to work-related injuries that occurred during the fiscal year		
Benefits paid	293 004	279 731
Variation in actuarial liability	891 638	859 021
Amounts carried forward	1 184 642	1 138 752

COMMISSION DE LA SANTÉ ET DE LA SÉCURITÉ DU TRAVAIL

COMPLEMENTARY NOTES (cont'd)
as at December 31, 2001
(in thousands of dollars)

6. COMPENSATION PROGRAMS (cont'd)

	2001	2000
Amounts brought forward	1 184 642	1 138 752
Expenses due to work-related injuries that occurred in previous fiscal years		
Benefits paid	1 054 294	981 332
Variation in actuarial liability	(422 511)	(821 560)
	631 783	159 772
	1 816 425	1 298 524

Compensation programs expenses are distributed as follows:

	2001	2000
Benefits paid		
Income replacement		
Medical consolidation and rehabilitation	488 354	451 387
Post-rehabilitation	310 239	281 678
	798 593	733 065
Medical assistance and rehabilitation expenses	297 717	281 695
Bodily injury	87 133	79 627
Permanent disability	108 928	112 589
Death	40 628	38 784
Economic and social stabilization	14 299	15 303
	1 347 298	1 261 063
Change in actuarial liability	469 127	37 461
	1 816 425	1 298 524

At the time of the ratemaking, the cost established as at July 1 for compensation programs is one of the data taken into account in establishing the annual financial needs to be met by employers' assessments. For the purposes of these financial statements, the cost, at July 1, 2001 for compensation programs regarding events that occurred in 2001 was established at $1 156 630 000 while this cost at July 1, 2000 for events that occurred in 2000 had been established at the end of fiscal 2000 at $1 114 720 000.

7. FOR A SAFE MATERNITY PROGRAM

	2001	2000
Expenses related to preventive reassignments that occurred during the fiscal year		
Benefits paid	83 734	70 828
Variation in actuarial liability	44 646	38 352
Amounts carried forward	128 380	109 180

COMPLEMENTARY NOTES (cont'd)
as at December 31, 2001
(in thousands of dollars)

7. FOR A SAFE MATERNITY PROGRAM (cont'd)

	2001	2000
Amounts brought forward	128 380	109 180
Expenses related to preventive reassignments that occurred in previous fiscal year		
Benefits paid	44 270	37 820
Variation in actuarial liability	(38 313)	(35 953)
	5 957	1 867
	134 337	111 047

At the time of the ratemaking, the cost established as at July 1 for the For A Safe Maternity program is one of the data taken into account in establishing the annual financial needs to be met by employers' assessments. For the purposes of these financial statements, the cost at July 1, 2001 for the For A Safe Maternity program regarding preventive reassignments in 2001 was established at $126 794 000 while this cost at July 1, 2000 for preventive reassignments in 2000 had been established at the end of fiscal 2000 at $107 818 000.

8. PREVENTION PROGRAMS

	2001	2000
Payments for occupational health services	54 583	53 229
Subsidy to the Institut de recherche Robert-Sauvé en santé et sécurité du travail du Québec	16 736	15 260
Subsidies for training and information:		
Joint sector-based associations	16 127	14 965
Unions and employer associations	8 799	8 066
Other	606	604
	96 851	92 124

9. ADMINISTRATIVE EXPENSES

	2001	2000
Fiscal year's expenses		
Wages and employee benefits	224 159	217 933
Training and professional development	953	1 000
Travel expenses	10 584	9 388
Postage, courier and telecommunications	7 376	8 798
Communications and information	3 957	3 880
Professional services – Administration and computing	44 355	41 192
Maintenance and repair – Computer equipment	26 294	27 460
Maintenance and repair – Fixed assets and other	3 817	4 370
Materials and supplies	5 666	5 330
Space rental	20 344	19 698
Equipment rental – Computing	2 897	3 052
Equipment rental – Other	960	844
Insurance, taxes and power supply	1 853	1 961
Other expenses and services	2 428	2 379
Depreciation – Fixed assets	12 748	13 189
Amounts carried forward	368 391	360 474

COMPLEMENTARY NOTES (cont'd)
as at December 31, 2001
(in thousands of dollars)

9. ADMINISTRATIVE EXPENSES (cont'd)

	2001	2000
Amounts brought forward	368 391	360 474
Less:		
Expenses charged:		
Government of Québec for the administration of the Crime Victims Compensation Act and the Act to Promote Good Citizenship	6 087	4 769
Government of Canada and its agencies for the administration of the Government Employees Compensation Act	4 269	3 752
Employers personally liable for paying benefits	2 768	2 174
Other expenses charged	563	774
	13 687	11 469
	354 704	349 005
Variation in actuarial liability	5 887	(5 678)
	360 591	343 327

In rate-setting, the cost of administrative expenses, established at July 1, is one of the factors taken into consideration in establishing the annual financial requirements to be met by employer contributions. For these financial statements, the cost at July 1, 2001 of administrative expenses for the 2001 ratemaking year was established at $334 204 000 whereas the cost, at July 1, 2000, of the administrative expenses for the 2000 ratemaking year had been established, at end of fiscal 2000, at $329 422 000.

10. FUNDING OF ADMINISTRATIVE TRIBUNALS

	2001	2000
Contributions for the fiscal year		
Commission des lésions professionnelles	47 701	45 278
Tribunal administratif du Québec	43	36
	47 744	45 314
Less:		
Expenses charged:		
Government of Québec for the administration of the Crime Victims Compensation Act and the Act to Promote Good Citizenship		36
Government of Canada and its agencies for the administration of the Government Employees Compensation Act	667	570
Employers personally liable for paying benefits	432	330
	1 099	936
	46 645	44 378
Variation in actuarial liability	4 503	(4 663)
	51 148	39 715

COMPLEMENTARY NOTES (cont'd)
as at December 31, 2001
(in thousands of dollars)

10. FUNDING OF ADMINISTRATIVE TRIBUNALS (cont'd)

In rate-setting, the cost of administrative expenses, established at July 1, is one of the factors taken into consideration in establishing the annual financial requirements to be met by employer contributions. For these financial statements, the cost at July 1, 2001 of administrative expenses for the 2001 ratemaking year was established at $40 848 000 whereas the cost, at July 1, 2000, of the administrative expenses for the 2000 ratemaking year had been established, at end of fiscal 2000, at $38 231 000.

11. OTHER EXPENSES

	2001	2000
Bad debt *	20 978	26 406
Civil Service Superannuation Plan		
- Interest on balance due		308
	20 978	26 714

* Doubtful debts for the fiscal year, established at $20 978 000 include $36 978 000 in employers' contributions and overpayments for the compensation of occupational injuries less $16 000 000 to reflect the amounts received in 2001 from the Gouvernement du Québec for previous fiscal years following the agreement regarding inspection fees. In 2000, doubtful debts of $26 406 000 included $41 406 000 in employers' contributions and overpayments for the compensation of occupational injuries less $15 000 000 received from the Gouvernement du Québec in relation to inspection fees for previous fiscal years.

12. OPERATING DEFICIT FOR THE CURRENT FISCAL YEAR

The operating deficit for the current fiscal year represents the ratemaking-based surpluses or deficits generated during the current fiscal year, which must be adjusted to employers' assessment for the subsequent years, in keeping with the funding policy described in Note 1.

The operating deficit for the current fiscal year stems from the following ratemaking-related deviations:

	2001	2000
	Surpluses (deficits)	
Deviations – current year's financial needs		
Assessments *	61 538	139 592
Other income	3 542	1 774
Compensation programs **	(42 430)	(46 820)
For A Safe Maternity program	(13 394)	(12 218)
Prevention programs	(2 451)	(1 124)
Administrative expenses	4 696	5 378
Funding of administrative tribunals	(1 748)	7 369
Bad debt	(8 978)	(13 406)
	775	80 545
Interest accrued from July 1 to December 31 on deviations related to the current year's financial needs	26	2 885
Amounts carried forward	801	83 430

COMPLEMENTARY NOTES (cont'd)
as at December 31, 2001
(in thousands of dollars)

12. OPERATING DEFICIT FOR THE CURRENT FISCAL YEAR (cont'd)

	2001	2000
	Surpluses (deficits)	
Amounts brought forward	801	83 430
Deviations – previous year's financial requirements		
Assessments	4 589	35 302
Compensation programs ***	(140 783)	36 880
For A Safe Maternity program	(4 643)	(551)
Administrative expenses	20 304	20 936
Funding of administrative tribunals	(829)	5 392
	(121 362)	97 959
Operating (deficit) surplus for the current fiscal year	(120 561)	181 389

* The assessments for the 2001 ratemaking year are estimated at $61 538 000 more than initially estimated, which constitutes a surplus. This surplus stems basically from a different-than-forecast economic activity, including a coverage payroll 4.7% higher than expected. This differing economic activity should increase the cost of compensation programs by about $33 400 000.

** At the time of the ratemaking, the cost as at July 1, 2001 of work-related injuries for 2001 was set at $1 114 200 000. This same cost stands at $1 156 630 000 in these financial statements, resulting in a deficit of $42 430 000. A portion equalling $23 200 000 of this deficit is due to tax changes made since rate-setting. The other portion, $19 230 000, is attributable mainly to the increase in the cost of income replacement indemnities for the medical consolidation and rehabilitation period.

This $19 230 000 deficit must be considered in relation to the fact that the differences observed in economic activity should have led to an increase of about $33 400 000 in the cost of compensation programs.

*** The $140 783 000 deficit for compensation programs for injuries occurring prior to 2001 includes two main elements. First, a $163 855 000 deficit is related to the impact of tax changes on income replacement indemnities. On one hand, the 2001 data showed that the impact of changes announced last year was higher than expected for people receiving an income replacement indemnity, resulting in a $76 277 000 deficit. On the other, the new changes announced to the provincial tax system in late March 2001 involve an additional deficit estimated at $87 578 000. Second, a $36 566 000 surplus is attributable to income replacement indemnities paid during the medical consolidation and rehabilitation period. This surplus relates primarily to the indemnities paid following relapses or aggravation and reflects the downturn in past years in the number of cases involving relapse or aggravation.

13. ASSESSMENTS DUE AND OTHER RECEIVABLES

	2001	2000
Assessments receivable	298 844	342 871
Estimate of income accrued from assessments	32 388	37 941
Amounts receivable from the Gouvernement du Québec for inspection		16 000
Compensation overpayments receivable	26 046	25 032
Other receivables	7 760	11 452
	365 038	433 296
Less:		
Provision for bad debt	60 400	80 300
	304 638	352 996

COMPLEMENTARY NOTES (cont'd)
as at December 31, 2001
(in thousands of dollars)

14. FUNDS DEPOSITED IN THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

	2001	2000
Individual fund		
Investment deposits – at cost (2001: 6 816 304 units; 2000: 6 919 202 units) (Market value in thousands of dollars, 2001: $8 036 044; 2000: $9 115 181)	7 578 236	7 652 413
Plus: Amortized portion of the difference between the market value of the deposits and their cost	1 214 690	1 247 969
	8 792 926	8 900 382
Less: Unamortized portion of gains and losses on investments by the Caisse	468 463	563 805
Investment deposits at a value based on the market value	8 324 463	8 336 577
Income receivable	44 193	68 809
	8 368 656	8 405 386
General Fund		
Variable-rate short-term loans and accruals *	(195 058)	(341 235)
	8 173 598	8 064 151

The investment deposits in an individual fund of the Caisse de dépôt et placement du Québec are expressed in units. These units are redeemable upon prior notice according to the terms of the Caisse's regulations and according to specific agreements with the CSST, at the market value of the net equity of the individual fund at the end of each month. At the close of each month of the individual fund, the Caisse allocates the net investment income as well as the gains and losses on investments to the CSST.

The unamortized balance of the difference between the market value of the deposits and their cost represents a gain of $756 881 759 as at December 31, 2001 (2000: $214 799 465).

* The CSST obtained a $350 million line of credit from the Caisse to cover its monthly cash deficits. The rate of interest is based on the return of the rate of the sight deposit account on a day-to-day basis, plus 0.5%. The interest rate was 2.3% as at December 31, 2001 (2000: 5.9%). This line of credit expires in 2003.

15. REAL ESTATE SELLING PRICE BALANCE

	2001	2000
Secured by assignment of subsidy to be paid by the Gouvernement du Québec, reimbursable by annuities of $1 454 705, maturing on December 31, 2006, at a rate of 7.5%	5 886	6 828

COMPLEMENTARY NOTES (cont'd)
as at December 31, 2001
(in thousands of dollars)

16. FIXED ASSETS

	2001			2000
	Cost	Accumulated depreciation	Net	Net
Land	749		749	749
Buildings	10 369	7 033	3 336	3 602
Furniture and equipment	17 166	12 824	4 342	3 072
Rolling stock	992	798	194	155
Computer hardware and software	102 397	85 473	16 924	21 021
Telecommunications systems	8 327	6 223	2 104	1 975
Leasehold improvements	4 488	4 459	29	14
	144 488	116 810	27 678	30 588

17. PROVISION FOR SICK LEAVE, VACATION TIME AND ASSISTED DEPARTURES

	2001				2000
	Sick leave	Vacation time	Severance	Total	Total
Balance at the beginning	48 142	22 391	3 345	73 878	70 284
Fiscal year's expenses	10 192	18 296	23	28 511	29 594
Fiscal year's use	(7 708)	(16 723)	(3 099)	(27 530)	(26 000)
Balance at the end	50 626	23 964	269	74 859	73 878

18. PROVISION FOR ASSESSMENT REFUNDS

Provision regarding the final adjustments of assessments for employers subject to the retrospective plan

	2001	2000
Balance at the beginning	88 313	128 467
Fiscal year's change		
Estimate of the previous year's final adjustment	(18 775)	10 672
Revised estimate of the years prior to the previous year	21 334	(6 700)
Interest	8 383	3 869
	10 942	7 841
Reimbursements made		
Employer contributions	(39 947)	(36 402)
Interest	(12 692)	(11 593)
	(52 639)	(47 995)
Balance at the end	46 616	88 313

COMPLEMENTARY NOTES (cont'd)
as at December 31, 2001
(in thousands of dollars)

19. PROVISION FOR FLUCTUATION IN THE REAL RATE OF RETURN

	2001	2000
Balance at the beginning		
Adjustment (Note 3)		
Introduction of a provision for fluctuation of the real rate of return	911 799	
Adjusted closing balance	911 799	
(Decrease) increase for the fiscal year		
Deficit related to the real rate of return	(95 337)	
Interest	59 264	
	(36 073)	
Amortization used to adjust employers' contribution *	(247 700)	
Variation for the fiscal year	(283 773)	
Balance at the end	628 026	

* Systematic application for the straight-line method for the amortization of variations in the real rate of return for previous fiscal years over eight years represents $178 014 000 for fiscal 2001.

However, given that variations in the real rate of return are amortized as of the second fiscal year following their inclusion in the provision, the application of the amortization mechanism to these variations described in the capitalization policy in effect when 2001 ratemaking was adopted establishes the amortization at $247 700 000, an increase of $69 696 000.

Thus, in keeping with the capitalization policy described in Note 1, the amortization amount posted to the fiscal year's results is $247 700 000.

20. ACTUARIAL LIABILITY

	2001	2000
Balance at the beginning	7 877 176	7 847 657
Variation in actuarial liability		
Compensation programs		
Evolution in actuarial liability	329 692	230 999
Changes in assumptions related to the real rate of return		(242 306)
Changes in non-economic assumptions and methods of calculating the actuarial liability	139 435	48 768
Amounts carried forward	469 127	37 461

COMMISSION DE LA SANTÉ ET DE LA SÉCURITÉ DU TRAVAIL

COMPLEMENTARY NOTES (cont'd)
as at December 31, 2001
(in thousands of dollars)

20. ACTUARIAL LIABILITY (cont'd)

	2001	2000
Amounts brought forward	469 127	37 461
For A Safe Maternity program		
Evolution in actuarial liability	6 333	3 141
Changes in non-economic assumptions and methods of calculating the actuarial liability		(742)
	6 333	2 399
Administrative expenses		
Evolution in actuarial liability	5 887	5 239
Changes in assumptions related to the real rate of return		(10 917)
	5 887	(5 678)
Funding of administrative tribunals		
Evolution in actuarial liability	4 503	(2 538)
Changes in assumptions related to the real rate of return		(2 125)
	4 503	(4 663)
	485 850	29 519
Balance at the end	8 363 026	7 877 176

This actuarial liability is distributed as follows with respect to benefits granted by the CSST:

	2001	2000
Compensation programs		
Income replacement		
Medical consolidation and rehabilitation	1 069 989	1 029 906
Post-rehabilitation	4 077 524	3 650 592
	5 147 513	4 680 498
Medical assistance and rehabilitation expenses	892 587	825 075
Bodily injury	264 902	253 920
Permanent disability	1 049 016	1 090 920
Death	283 847	312 701
Economic and social stabilization	84 941	90 565
	7 722 806	7 253 679
For A Safe Maternity program	45 583	39 250
Administrative expenses	454 367	448 480
Funding of administrative tribunals	140 270	135 767
	8 363 026	7 877 176

COMPLEMENTARY NOTES (cont'd)
as at December 31, 2001
(in thousands of dollars)

21. CASH FLOWS

Cash and cash equivalents

Cash and cash equivalents shown in the cash flow statement include the following amounts:

	2001	2000
Cash on hand	3 471	7 757
Outstanding cheques	(20 502)	(22 892)
Fund entrusted to the Caisse de dépôt et placement du Québec - Short-term borrowing, variable rates and accrued interest (Note 14)	(195 058)	(341 235)
Insufficiency of cash and cash equivalents	(212 089)	(356 370)
Interest paid during the year	53 128	40 879

Interest paid is already included in certain expense categories or presented separately in the complementary notes to the financial statements.

22. COMMITMENTS AND CONTINGENCY

Commitments

Space rental leases

The CSST was committed to space rental leases totalling $200 496 702 as at December 31, 2001 (2000: $198 448 690). These leases run until 2016 with a renewal option upon expiry. A clause provides for rent review based on increases in operating costs or taxes.

Payments over the next five fiscal years, based on the rental amount as at December 31, 2001, are as follows:

2002	$19 239 495
2003	18 642 761
2004	18 339 023
2005	17 814 993
2006	17 808 995

Equipment leasing and service contracts

The CSST was committed to various equipment leasing and service contracts estimated at $47 143 001 as at December 31, 2001 (2000: $33 830 361). Excluding the specific contract for the operation of electronic commerce products and services mentioned below, these contracts, which extend over a period of one to three years, call for annual payments of:

2002	$32 875 40[illegible]
2003	10 631 478
2004	3 636 117

COMPLEMENTARY NOTES (cont'd)
as at December 31, 2001
(in thousands of dollars)

22. COMMITMENTS AND CONTINGENCY (cont'd)

Commitments (cont'd)

Acquisition of e-commerce products and services

In 1995, the CSST signed a general agreement with the National Bank, Desjardins and Bell Canada consortium for the acquisition of e-commerce products and services. This agreement allows the Commission to improve its client service and has a positive economic and technological impact on the development of Québec expertise in the area of e-commerce. It also contributes to the development of French-language products that can be exported over the medium term to French-speaking countries the world over.

With respect to the operation of e-commerce products and services, the CSST has authorized a $50 000 000 financial commitment spread over seven and a half years. As at December 31, 1997, this amount was allocated, from the 1997 current year's operating surplus and according to an interest-free amortization mechanism, to financing the expenses to be incurred over the next few years for the operation of e-commerce products and services.

As at December 31, 2001, a specific contract was signed for a total of $49 700 000 running until 2002 for the operation of e-commerce products and services developed previously. As at December 31, 2001, the balance of the commitment related to this contract stood at $6 989 586.

Contingency

Businesses under federal jurisdiction

On May 26, 1988, the Supreme Court of Canada ruled that the Act respecting occupational health and safety was not applicable to businesses under federal jurisdiction. Following this ruling, the CSST reimbursed the employers involved for assessments that were wrongfully paid, including interest of 5% per year.

However, lawsuits were filed in Québec Superior Court by several out-of-province transportation firms that consider themselves to be under federal jurisdiction. They are seeking full reimbursement for assessments paid to the CSST for the years 1981 to 1988, inclusively, not just the portion of assessments applicable under the Act respecting occupational health and safety. These firms are also claiming interest on their eventual refunds at the rate set under section 28 of the Act respecting the Ministère du Revenu, instead of the 5% rate determined by the CSST. These lawsuits total approximately $46 000 000 plus interest.

The CSST is not able to estimate the amount that this contingency may generate.

23. EMPLOYERS PERSONALLY LIABLE FOR THE PAYMENT OF BENEFITS

Under the special provisions set forth in Chapter X of the Act respecting industrial accidents and occupational diseases for employers personally liable for the payment of benefits, the CSST pays benefits to victims of work-related injuries on behalf of this category of employer. These employers reimburse the CSST for benefits paid on their behalf and pay their share of the costs it incurs in applying the said chapter, in the form of a percentage of these benefits.

Since they are fully recovered, these and future benefits related to events that occurred at the end of the fiscal year are not included in the CSST's statement of income and expenditure nor in its balance sheet. However, the amounts collected to finance the costs incurred by the CSST for the application of Chapter X are applied in reduction of administrative expenses.

The CSST's bills to employers personally liable for the payment of these benefits totalled $15 958 441 in 2001, compared with $14 913 742 in 2000.

COMPLEMENTARY NOTES (cont'd)
as at December 31, 2001
(in thousands of dollars)

23. EMPLOYERS PERSONALLY LIABLE FOR THE PAYMENT OF BENEFITS (cont'd0

Under section 334 of the Act respecting industrial accidents and occupational diseases, all employers personally liable for the payment of benefits must make and keep in force a contract of insurance, of suretyship or of warranty with a legal person, by which the latter undertakes to assume payment of benefits to claimants should the employer fail to do so.

According to section 344 of the Act respecting industrial accidents and occupational diseases, where the employer and his insurer or the surety or warrantor of payment of the benefits have disappeare,[4] or are insolvent, the CSST shall pay the benefits owed to the beneficiary. The CSST may levy an additional assessment to employers personally liable for the payment of benefits to cover costs incurred in this regard.

However, the CSST has not evaluated or charged to its liabilities the value of the commitments related to claims from employers personally liable for the payment of benefits, due to the very low probability of all employers personally liable for the payment of benefits as well as their insurers or sureties or warrantors disappearing or becoming insolvent.

24. OTHER CSST MANDATES

Under the Government Employees Compensation Act (R.S.C., 1985, c. G-5) and according to an agreement with the Government of Canada, the CSST compensates federal civil servants who have suffered work-related injuries. The Government of Canada and its agencies reimburse the CSST and pay costs incurred in this regard.

In addition, apart from the mandates related to occupational health and safety and the compensation of victims of work-related injuries, the Government of Québec has also entrusted the CSST with the responsibility of compensating victims under the Crime Victims Compensation Act and the Act to Promote Good Citizenship. The Government of Québec reimburses the CSST and pays costs incurred in this regard.

CSST bills for these benefits break down as follows:

	2001	2000
Government Employees Compensation Act	12 720	11 295
Crime Victims Compensation Act and the Act to Promote Good Citizenship	42 065	36 355
	54 785	47 650

Since they are fully recovered, these and future benefits related to events that occurred at the end of the fiscal year are not included in the CSST's statement of income and expenditure or in its balance sheet. However, the amounts collected to finance costs incurred by the CSST for the application of these Acts are applied in reduction of administrative expenses.

25. RELATED PARTY TRANSACTIONS

The CSST is related to all government departments, special funds, agencies and companies controlled directly or indirectly by the Government of Québec or subject to joint control or strong common influence of the Government of Québec. The CSST did not conclude any commercial transaction with these related parties, other than in the regular course of its activities and under the usual commercial conditions. These transactions are not presented separately in the financial statements, except for those presented in Note 8 regarding prevention subsidies to the Institut de recherche Robert-Sauvé en santé et en sécurité du travail du Québec, Note 10 concerning the funding of the Commission des lésions professionnelles and the Tribunal administratif du Québec, Notes 11 and 13 concerning the monitoring of inspection expenses for previous fiscal years and Note 24 regarding the Crime Victims compensation Act and the Act to Promote Good Citizenship.

COMPLEMENTARY NOTES (cont'd)
as at December 31, 2001
(in thousands of dollars)

26. EMPLOYER CONTRIBUTIONS TO PENSION PLANS

CSST employees subscribe to the Civil Service Superannuation Plan, the Government and Public Employees' Retirement Plan and the Pension Plan of Personnel Management, which are administered by the Commission administrative des régimes de retraite et d'assurances. These are defined-benefit plans that include retirement and death benefits.

The CSST's obligations toward these government plans are limited to its contributions for regular services as an employer. The CSST's contributions recorded as part of this year's expenses amount to $6 570 157 (2000: $6 265 007).

27. COMPARATIVE FIGURES

Certain figures for 2000 were reclassified to comply with the presentation adopted in 2001.

COMMISSION DE LA SANTÉ ET DE LA SÉCURITÉ DU TRAVAIL

ACTUARIAL REPORT REGARDING THE COMMITMENTS
OF THE COMMISSION DE LA SANTÉ ET DE LA SÉCURITÉ DU TRAVAIL
as at December 31, 2001

We have evaluated the actuarial liability of the Commission de la santé et de la sécurité du travail for the purpose of its balance sheet as at December 31, 2001 and its statement of income and expenditure for the year then ended. In our opinion, the actuarial liability of $8 363 026 000 constitutes an appropriate provision to cover future payments under compensation programs for work-related injuries, the For A Safe Maternity program, administrative expenses of the CSST and expenses for the funding of administrative tribunals, regarding events that occurred on or before December 31, 2001 among all insured employers. Estimated future payments for work-related injuries comply with the Workmen's Compensation Act, the Act respecting industrial accidents and occupational diseases and the Act respecting indemnities for victims of asbestosis and silicosis in mines and quarries. Estimated future payments under the For A Safe Maternity program comply with the provisions of the Act respecting occupational health and safety.

The CSST pursues a full-funding objective, aimed at making it assets equal to its liabilities, without necessarily maintaining a surplus. This situation is reflected in the approach used in producing its financial statements and the valuation of its actuarial liability. Hence, the assumptions used were selected on a best-estimate basis. This approach implies that there is no margin for adverse statistical deviations or for an unfavourable evolution of experience.

However, the assumption related to the real rate of return is an exception to the general best-estimate approach. In fact, by considering the particularity of the CSST's commitments that guarantee the adjustment of its benefits to future inflation and in order to allow for more stable assessment rates and financial results, the assumption of the real rate of return of 4.0% is based on longer-term trends and a mechanism is used to amortize annual variations in the real rate of return.

The actuarial liability rose from $7 877 176 000 at December 31, 2000 to $8 363 026 000 at December 31, 2001. The $485 850 000 increase, comprising an increase of $469 127 000 for compensation programs, an increase of $6 333 000 for the For A Safe Maternity program, an increase of $5 887 000 for administrative expenses and an increase of $4 503 000 for the funding of administrative tribunals, was posted to the 2001 statement of revenue and expenditure.

As for compensation programs, the $469 127 000 increase includes a $139 435 000 increase in the actuarial liability stemming from changes in methods and assumptions. This increase results primarily from changes in assumptions related to the tax effect on changes in income replacement indemnities.

The provision for variation in the real rate of return represented $628 026 000 at December 31, 2001. Given the CSST's capitalization policy, this $628 026 000 is needed to achieve the full capitalization objective, which guarantees future benefit payments to beneficiaries.

Additional information regarding the valuation of this actuarial liability is available in a more detailed actuarial report.

In our opinion, the amount of the actuarial liability has been determined using reliable and sufficient data, appropriate assumptions and methods in accordance with sound actuarial principles.

Pierre Hébert, FICA
Actuary
Commission de la santé et de la
sécurité du travail

Gylles Binet, FSA, FICA
Actuary
Commission de la santé et de la
sécurité du travail

Québec, March 11, 2002

COMMISSION DE LA SANTÉ ET DE LA SÉCURITÉ DU TRAVAIL

ACTUARIAL CONSULTANTS' REPORT REGARDING THE COMMITMENTS
OF THE COMMISSION DE LA SANTÉ ET DE LA SÉCURITÉ DU TRAVAIL
as at December 31, 2001

We have reviewed the valuation of the actuarial liability prepared by the actuaries of the Commission de la santé et de la sécurité du travail regarding the CSST's commitments as at December 31, 2001 under the Workmen's Compensation Act, the Act respecting industrial accidents and occupational diseases, the Act respecting indemnities for victims of asbestosis and silicosis in mines and quarries and for future payments under the For A Safe Maternity program set forth in the Act respecting occupational health and safety. This valuation was prepared by CSST actuaries.

The actuarial liability of $8 363 026 000 covers future commitments regarding events that occurred on or before December 31, 2001 among all insured employers, including administrative expenses of the CSST and administrative tribunals, which require that these commitments be respected.

We also verified the establishment of the provision for variation in the real rate of return which totalled $628 026 000 at December 31, 2001.

We have examined the CSST's funding policy, the provisions of the above-mentioned acts, the methods and assumptions as well as how they were used in the valuation. We have also verified that appropriate procedures exist, in order to ensure that the data used is reliable and sufficient for the actuarial calculations.

In keeping with the CSST's funding objectives, the assumptions used in valuating the actuarial liability were established on a best-estimate basis, except for the assumption related to the real rate of return, which was based on long-terms trends.

The actuarial liability of $8 363 026 000 presented in the balance sheet as at December 31, 2001 constitutes an appropriate provision of the value of the CSST's commitments as at that date, considering its funding objectives.

Given the CSST's capitalization policy, the $628 026 000 provision for variation in the real rate of return at December 31, 2001 is also appropriate.

In our opinion, the actuarial liability and the provision for variation in the real rate of return are adequate and were established using appropriate assumptions and methods in accordance with sound actuarial principles, in view of the CSST's funding policy.

André Picard, FSA, FICA
Société Conseil Mercer Limited

Jacques Demers, FSA, FICA
Société Conseil Mercer Limited

Québec, March 11, 2002

COMMISSION DE LA SANTÉ ET DE LA SÉCURITÉ DU TRAVAIL

MANAGEMENT'S REPORT

The financial statements of the Commission de la santé et de la sécurité du travail (CSST) were drawn up by management, which is responsible for data integrity and accuracy, notably as concerns the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate regarding the financial statements' integrity and accuracy, management exercises the necessary internal controls to provide reasonable assurance that the financial information is relevant and reliable and that assets are adequately protected. In this regard, the accounting and financial controls department, as the CSST's comptroller, develops, proposes and ensures the implementation of controls needed to mitigate the most significant financial risks. In addition, the internal audit department periodically conducts audits to ensure that the controls exercised are appropriate, consistent and applied uniformly.

Every year, in keeping with sound actuarial principles, CSST actuaries assess the commitments for benefits shown in the agency's financial statements and report their conclusions to the auditing committee.

The board of directors must oversee the manner in which management performs its financial reporting duties, and has approved the financial statements. It is assisted by the budget, audit and management advisory committee, whose members are not management. This committee meets with management and the auditor, examines the financial statements and recommends their approval to the board of directors.

An actuary from the firm Société Conseil Mercer Limitée was appointed actuarial consultant to the CSST. His role consists in performing an independent examination of the actuarial value of the liability with respect to benefits outlined in the CSST's financial statements.

The Auditor General of Québec has audited the CSST's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion.

Jacques Lamonde
Chairman of the Board and Chief Executive Officer

Québec, March 15, 2002

COMMISSION DE LA SANTÉ ET DE LA SÉCURITÉ DU TRAVAIL

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Commission de la santé et de la sécurité du travail as at December 31, 2001 and the statements of income and expenditure and accumulated deficits and cash flows for the year then ended. These financial statements are the responsibility of CSST management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the CSST's financial position as at December 31, 2001 and the results of its operations and cash flows for the year then ended, in accordance with generally accepted accounting principles. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, given the retroactive application of the introduction of the provision for variation in the real rate of return as explained in Note 3, these principles have been applied on a basis consistent with that of the previous year.

Financial statement comparability

As explained in Note 3, in 2000 and 2001, the CSST changed its accounting policy governing the provision for fluctuation of the real rate of return, which, in both cases, was applied retroactively. Further, as mentioned in Note 2F, the amortization of the provision for fluctuation of the real rate of return in 2001 and 2002 is not established using the same mechanism as that used previously. Not including this provision in the CSST's financial statements at December 31, 2000 made it possible to present cumulated surpluses of $312.5 million. Maintaining it (without a ceiling as of January 1, 2000) would have required presenting cumulated deficits of $599.3 million at the end of the fiscal year, while excess revenues over expenditures for the fiscal year would have decreased by $186.5 million. The accounting treatment of this provision in 2001 reduced the insufficiency of revenues over expenditures for the fiscal year by $283.8 million. The cumulated deficits at December 31, 2001 ($680.7 million) would have been $52.7 million had the provision not been reintroduced

Although these successive changes to the accounting policy were applied in keeping with the accounting principles that are generally recognized in Canada, they increase the risk of confusion in interpreting the CSST's results and financial position and make it difficult to compare financial statements from one fiscal year to another.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, March 15, 2002

COMMISSION DE RECONNAISSANCE DES ASSOCIATIONS D'ARTISTES ET DES ASSOCIATIONS DE PRODUCTEURS
(R.S.Q., c. S-32.1)

REVENUE AND EXPENDITURE
for the year ended March 31, 2002

	2002	2001 (Note 3)
REVENUE		
Gouvernement du Québec operating subsidy	$530 000	$411 100
Interest on bank deposits	810	2 003
	530 810	413 103
EXPENDITURE		
Salaries and fringe benefits	366 606	290 962
Training	1 999	1 765
Travelling and entertainment	3 603	6 391
Professional fees	79 230	79 884
Rent	53 115	56 117
Taxes	14 259	15 093
Insurance	829	884
Maintenance and equipment rental	4 762	4 567
Advertising	1 997	3 853
Documentation	3 335	3 236
Telecommunications	3 355	3 946
Office supplies	6 944	8 871
Furniture and equipment	286	248
Interest and bank charges	941	877
Depreciation of fixed assets	5 875	4 543
Other	532	562
	547 668	481 799
EXCESS EXPENDITURE OVER REVENUE	$(16 858)	$(68 696)

DEFICIT
for the year ended March 31, 2002

	2002	2001
(DEFICIT) SURPLUS, BEGINNING OF YEAR		
Previously established balance	$(36 547)	$31 946
Adjustment (Note 3):		
Gouvernement du Québec subsidy – Financing of accumulated sick leave and vacation time	60 000	60 000
Recording of accumulated vacation time	(9 151)	(8 948)
Adjusted balance	14 302	82 998
Excess expenditure over revenue	(16 858)	(68 696)
(DEFICIT) SURPLUS, END OF YEAR	$(2 556)	$14 302

COMMISSION DE RECONNAISSANCE DES ASSOCIATIONS D'ARTISTES ET DES ASSOCIATIONS DE PRODUCTEURS

BALANCE SHEET
as at March 31, 2002

	2002	2001 (Note 3)
ASSETS		
Current assets		
Cash on hand	$54 909	$5 252
Gouvernement du Québec subsidy receivable		60 000
Prepaid expenses	4 591	3 804
	59 500	69 056
Fixed assets (Note 4)	17 138	23 013
	$76 638	$92 069
LIABILITIES		
Current liabilities		
Accounts payable and accruals	$17 151	$21 382
Provision for vacation time accumulated	15 841	9 151
	32 992	30 533
Provision for sick leave (Note 6)	46 202	47 234
	79 194	77 767
(DEFICIT) SURPLUS	(2 556)	14 302
	$76 638	$92 069

COMMITMENT (Note 7)

On behalf of the Commission,
Jean Corriveau

COMMISSION DE RECONNAISSANCE DES ASSOCIATIONS D'ARTISTES ET DES ASSOCIATIONS DE PRODUCTEURS

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

The Commission de reconnaissance des associations d'artistes et des associations de producteurs was established under the Act respecting the professional status and conditions of engagement of performing, recording and film artists (R.S.Q., c. S-32.1). Its duties include rendering decisions on any application for recognition submitted by an artists' or a producers' association, appointing a mediator at the request of a party to the negotiation of a group agreement and appointing an arbitrator in the event of a dispute during the negotiation of a group agreement.

2. ACCOUNTING POLICIES

The financial statements of the Commission were prepared by management on the accrual basis in accordance with accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements. The statement of changes in financial position is not shown as it would not provide any useful supplementary information regarding the Commission's cash flow during the year.

Fixed assets

Fixed assets are recorded at cost and amortized according to the probable duration of their use according to the straight-line method at the following annual rates:

Furniture and fixtures	10%
Data processing equipment and software	20%

3. CHANGE IN ACCOUNTING POLICIES

Gouvernement du Québec subsidy

The Gouvernement du Québec granted a specific subsidy of $60 000 for the financing of expenses related to sick leave and vacation time accumulated by Commission employees as at March 31, 2001.

The financial statements for the fiscal year ended March 31, 2001 were adjusted accordingly, thereby increasing the following items in the financial statements:

	2001
Gouvernement du Québec subsidy receivable	$60 000
Surplus	60 000

Provision for vacation time accumulated

As of this fiscal year, the liabilities resulting from vacation time accumulated by Commission employees at year-end are recorded to liabilities on the balance sheet under "Provision for vacation time accumulated". The annual change in this provision is posted to the expenditures for the fiscal year. Previously, these expenses were posted to operations in the fiscal year during which the employees used their sick leave.

These changes, applied retroactively, will increase the following items in the financial statements:

	2002	2001
Revenue and expenditure		
Salaries and fringe benefits	$6 690	$203
Excess expenditure over revenue	6 690	203
Balance sheet		
Provision for vacation time accumulated	15 841	9 151
Deficit	15 841	9 151

COMMISSION DE RECONNAISSANCE DES ASSOCIATIONS D'ARTISTES ET DES ASSOCIATIONS DE PRODUCTEURS

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

4. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net	Net
Furniture and fixtures	$16 160	$4 519	$11 641	$13 160
Data processing equipment and software	19 657	14 160	5 497	9 853
	$35 817	$18 679	$17 138	$23 013

There was no acquisition or disposal of fixed assets during the fiscal years ending March 31, 2001 and 2002.

5. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in the financial statements and recorded at exchange value, the Commission is a related party to all government departments, special funds, agencies and enterprises which are controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Commission did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

6. FUTURE FRINGE BENEFITS

Pension plans

The staff members of the Commission participate in the Government and Public Employees Retirement Plan (RREGOP), the Pension Plan of Management Personnel (PPMP) or the Pension Plan for Senior Officials (PPSO). These are interenterprise defined-benefit plans and include guaranteed payments upon retirement and death.

The Commission's contributions charged to the year-end statement amount to $5 208 (2001: $2 714). The liability of the Commission towards these plans is restricted to its contributions as an employer.

Provision for sick leave

	2002	2001
Opening balance	$47 234	$41 255
Charge for the year	6 410	6 444
Benefits paid during the year	(7 442)	(465)
Closing balance	$46 202	$47 234

7. COMMITMENT

The Commission is committed to a long-term lease for office space expiring December 6, 2002.

Lease payments for the year ended March 31, 2002 amount to $53 115. The minimum lease payments for the next four fiscal years are as follows:

2002	$40 500

COMMISSION DE RECONNAISSANCE DES ASSOCIATIONS D'ARTISTES ET DES ASSOCIATIONS DE PRODUCTEURS

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Commission de reconnaissance des associations d'artistes et des associations de producteurs as at March 31, 2002, the statement of revenue and expenditure and the statement of deficit for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Commission's financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, given the retroactive application of the change in the method for recording accumulated vacation time disclosed in Note 3, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, June 26, 2002

COMMISSION DES LÉSIONS PROFESSIONNELLES
(R.S.Q., c.A-3.001)

REVENUE AND EXPENDITURE AND DEFICIT FUND BALANCE
for the year ended March 31, 2002

	2002	2001
REVENUE		
Contribution from the Commission de la santé et de la sécurité du travail	$48 200 004	$46 204 496
Interest on bank deposits	150 250	155 408
Publications and services	21 552	19 350
	48 371 806	46 379 254
EXPENDITURE		
Salaries and fringe benefits	29 372 004	28 667 404
Transportation and communications	2 685 568	2 374 286
Professional services	7 831 851	8 019 797
Rent and maintenance	5 588 638	5 815 086
Depreciation of fixed assets	2 637 025	2 840 606
Loss on disposal of fixed assets	276 403	
Supplies	634 419	585 764
Other	13 236	10 158
	49 039 144	48 313 101
EXCESS EXPENDITURE OVER REVENUE	(667 338)	(1 933 847)
DEFICIT FUND BALANCE, BEGINNING OF YEAR	(2 507 739)	(573 892)
DEFICIT FUND BALANCE, END OF YEAR	$(3 175 077)	$(2 507 739)

COMMISSION DES LÉSIONS PROFESSIONNELLES

BALANCE SHEET
as at March 31, 2002

	2002	2001
ASSETS		
Current assets		
Cash and cash equivalents	$3 976 366	$1 858 330
Accounts receivable	8 257	15 698
Interest accrued	3 517	16 286
Advances for travel expenses	15 500	15 500
Prepaid expenses	36 144	23 178
	4 039 784	1 928 992
Fixed assets (Note 3)	3 716 587	5 027 407
	$7 756 371	$6 956 399
LIABILITIES		
Current liabilities		
Accounts payable and accruals	$2 471 978	$1 860 714
Provision for sick leave and vacation time (Note 4)	8 459 470	7 603 424
FUND BALANCE DEFICIT	(3 175 077)	(2 507 739)
	$7 756 371	$6 956 399

COMMITMENTS (Note 5)

On behalf of the Commission,
Jean-Pierre Arsenault

COMMISSION DES LÉSIONS PROFESSIONNELLES

CASH FLOW
for the year ended March 31, 2002

	2002	2001
OPERATING ACTIVITIES		
Excess expenditure over revenue	$(667 338)	$(1 933 847)
Items with no effect on cash and cash equivalents:		
Depreciation of fixed assets	2 637 025	2 840 606
Loss on disposal of fixed assets	276 403	
Change in the provision for sick leave and vacation time	856 046	707 008
	3 102 136	1 613 767
Changes in non-cash elements of the Working Capital Fund:		
Accounts receivable	7 441	47 420
Interest accrued	12 769	(3 371)
Advances for travel expenses		1 000
Prepaid expenses	(12 966)	129 649
Accounts payable and accruals	611 264	(792 333)
	618 508	(617 635)
Cash flows related to operating activities	3 720 644	996 132
INVESTMENT ACTIVITIES		
Proceeds from disposal of fixed assets	50 000	
Acquisition of fixed assets	(1 652 608)	(645 500)
Cash flows related to investment activities	(1 602 608)	(645 500)
INCREASE IN CASH AND CASH EQUIVALENTS	2 118 036	350 632
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1 858 330	1 507 698
CASH AND CASH EQUIVALENTS, END OF YEAR	$3 976 366	$1 858 330
COMPOSITION OF CASH AND CASH EQUIVALENTS:		
Cash on hand	$1 476 366	$1 858 330
Term deposits (rate: 2.05%)	2 500 000	
	$3 976 366	$1 858 330

COMMISSION DES LÉSIONS PROFESSIONNELLES

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION, PURPOSE AND FINANCING

The Commission, established under a special statute (1997, chapter 27), is mandated to hear and deal with cases contesting decisions rendered by the Commission de la santé et de la sécurité du travail following an administrative review.

The amounts required by the Commission for its operations are taken out of the Commission fund, which consists of the sums paid into it by the Commission de la santé et de la sécurité du travail according to terms and conditions determined by the Government.

2. ACCOUNTING POLICIES

The financial statements of the Commission were prepared by management in accordance with accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Fixed assets

Fixed assets are recorded at their original cost and amortized according to their probable service life, using the straight-line accounting method, at the following annual rates:

Office furniture and equipment	20%
Data processing equipment	33.3%
Leasehold improvements	Term of lease, maximum 5 years

Pension plans

The accounting procedure used for defined-contribution plans is applied to interentreprise government defined-benefit plans, given that the Commission lacks sufficient information to apply the accounting procedure for defined-benefit plans.

Cash and cash equivalents

The Commission's policy consists in presenting under cash and cash equivalents bank balances and short-term investments maturing within three months of the date they were acquired.

3. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Total	Total
Office furniture and equipment	$3 677 119	$1 837 963	$1 839 156	$1 553 401
Data processing equipment	4 593 449	3 616 226	977 223	1 552 389
Leasehold improvements	2 185 490	1 285 282	900 208	1 921 617
	$10 456 058	$6 739 471	$3 716 587	$5 027 407

4. PROVISION FOR SICK LEAVE AND VACATION TIME

	2002			2001
	Sick leave	Vacation time	Total	Total
Opening balance	$4 734 695	$2 868 729	$7 603 424	$6 896 416
Change for the year	581 106	274 940	856 046	707 008
Closing balance	$5 315 801	$3 143 669	$8 459 470	$7 603 424

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

5. COMMITMENTS

The Commission is committed under agreements with the Société immobilière du Québec, terminating on various dates up to October 31, 2010, for administrative offices.

Lease payments for the year ended March 31, 2002, amount to $4 542 918 (2001: $4 636 081).

The minimum lease payments for the next fiscal years are:

2003	$3 923 043
2004	3 627 090
2005	2 716 450
2006	2 633 329
2007	2 467 943
2008 and thereafter	1 811 768
	$17 179 623

6. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements and recorded at exchange value, the Commission is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Commission did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

7. PENSION PLANS

Most staff members of the Commission participate in the Government and Public Employees Retirement Plan (RREGOP), in the Civil Service Superannuation Plan (CSSP) or in the Pension Plan of Management Personnel (PPMP). These are interenterprise defined-benefit plans and include guaranteed payments upon retirement and death.

Certain other employees participate in a Registered Retirement Savings Plan because they do not belong to the Public Service. The Commission pays them an amount equivalent to what it pays the other employees.

The Commission's contributions charged to the year-end statement amount to $705 643 (2001: $732 980). The liability of the Commission towards these Government plans is restricted to its contributions as an employer.

COMMISSION DES LÉSIONS PROFESSIONNELLES

MANAGEMENT'S REPORT

The financial statements of the Commission des lésions professionnelles were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements. Each manager performs a monthly analysis and verification of his administrative unit's budgetary position.

The Commission recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors must oversee the manner in which management fulfils its financial reporting duties.

The Auditor General of Québec has audited the Commission's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the board of directors to discuss any matter related to the audit.

Jean-Pierre Arsenault
Chairman

Québec, May 30, 2002

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Commission des lésions professionnelles as at March 31, 2002, the statement of revenue and expenditure and deficit fund balance and the statement of cash flow for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Commission's financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, May 30, 2002

COMMISSION DES NORMES DU TRAVAIL
(R.S.Q., c. N-1.1)

REVENUE AND EXPENDITURE AND SURPLUS
for the year ended March 31, 2002

	2002	2001
REVENUE		
Levies (Note 3)	$46 429 497	$45 883 116
Interest on investments	1 164 994	1 329 839
Other	356 848	366 582
	47 951 339	47 579 537
EXPENDITURE		
Salaries and fringe benefits	26 573 483	23 889 298
Fees	2 127 205	1 764 271
Travelling expenses	1 369 503	1 095 559
Telecommunications and mail	1 006 253	1 007 656
Advertising and information	503 659	621 856
Rental of office space, equipment and other	3 029 492	2 734 791
Maintenance	780 582	543 192
Supplies	805 618	883 908
Bank charges	9 773	10 057
Depreciation of fixed assets	1 329 304	1 035 956
Net (gain) loss on disposal of fixed assets	(7 699)	74 534
	37 527 173	33 661 078
Agreements with the Gouvernement du Québec (Note 9):		
Ministère du Revenu du Québec collection fee	391 692	522 664
Reimbursement of expenses of the Labour Commissioner-General's office	3 325 000	3 440 200
	41 243 865	37 623 942
EXCESS REVENUE OVER EXPENDITURE	6 707 474	9 955 595
SURPLUS, BEGINNING OF YEAR	37 086 222	27 130 627
SURPLUS, END OF YEAR	$43 793 696	$37 086 222

COMMISSION DES NORMES DU TRAVAIL

BALANCE SHEET
as at March 31, 2002

	2002	2001
ASSETS		
Current assets		
Cash on hand	$166 409	$64 149
Short-term investments – at cost (Note 4)	50 100 117	46 080 398
Accounts receivable	75 860	125 066
Interest accrued on investments	68 836	140 018
	50 411 222	46 409 631
Fixed assets (Note 5)	5 490 355	3 035 093
	$55 901 577	$49 444 724
LIABILITIES		
Current liabilities		
Accounts payable and expenses accrued	$3 481 465	$4 462 660
Claims collected for remittance to employees (Note 6)	153 020	100 645
Vacation allowance payable to employees	2 874 378	2 599 400
	6 508 863	7 162 705
Allowance for sick leave (Note 7)	5 599 018	5 195 797
SURPLUS (Note 8)	43 793 696	37 086 222
	$55 901 577	$49 444 724

COMMITMENTS (Note 9)

On behalf of the Commission,
Jean-Marc Boily
Jacques Fortin

COMMISSION DES NORMES DU TRAVAIL

CASH FLOWS
for the year ended March 31, 2002

	2002	2001
OPERATING ACTIVITIES		
Excess revenue over expenditure	$6 707 474	$9 955 595
Adjustments for:		
Depreciation of fixed assets	1 329 304	1 035 956
Net (gain) loss on disposal of fixed assets	(7 699)	74 534
Increase in allowance for sick leave	403 221	200 055
	8 432 300	11 266 140
Change in non-cash elements related to operations:		
Decrease in accounts receivable	49 206	99 168
Change in interest accrued on investments	71 182	(23 290)
Decrease in accounts payable and accruals	(26 637)	(167 291)
Change in claims collected for remittance to employees	52 375	(37 744)
Increase in vacation allowance payable to employees	274 978	175 323
	421 104	46 166
Cash flows generated by operating activities	8 853 404	11 312 306
INVESTMENT ACTIVITIES		
Change in short-term investments	1 600 000	(15 800 000)
Acquisition of fixed assets	(4 753 124)	(1 382 176)
Proceeds from disposal of fixed assets	21 699	10 533
Cash flows used for investment activities	(3 131 425)	(17 171 643)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5 721 979	(5 859 337)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	21 944 547	27 803 884
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 10)	$27 666 526	$21 944 547

COMMISSION DES NORMES DU TRAVAIL

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

The Commission des normes du travail, established under the Act respecting labour standards (R.S.Q., c. N-1.1), is a legal person within the meaning of the Civil Code and has all the general powers of such a legal person.

The Commission is responsible for overseeing the implementation and application of labour standards. More specifically, it must inform the population on matters dealing with labour standards, supervise the application of labour standards and, when necessary, transmit its recommendations to the Minister. The Commission also receives complaints from employees and must indemnify the latter to the extent provided for in the Act and regulations respecting labour standards and endeavour to work out agreements between employers and employees concerning their different positions on the application of said Act and regulations.

2. ACCOUNTING POLICIES

The financial statements of the Commission were prepared by management on the accrual basis in accordance with accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Fixed assets

Fixed assets are recorded at their historical cost and depreciated on a straight-line basis at the following rates:

	Rate
Equipment	20%
Furniture	20%
Automotive equipment	33 1/3%
Leasehold improvements	20%
Data processing equipment and software	33 1/3%
Development of information systems	20%

Levies

Levies were collected by the Ministère du Revenu. They are recorded according to the estimated employer contribution, based on assessments for the previous calendar year. The amount is determined jointly by this Government department and the Commission. This revenue is subject to auditing and adjustments which, if necessary, will be entered as revenue from levies for the year in which they are determined.

Pension plans

The accounting procedure used for defined-contribution plans is applied to interentreprise government defined-benefit plans, given that the Commission lacks sufficient information to apply the accounting procedure for defined-benefit plans.

3. LEVIES

	2002	2001
Estimated revenue for the year	$45 963 135	$43 649 005
Revenue for previous years:		
Fiscal 2001	466 362	
Fiscal 2000		2 234 111
	$46 429 497	$45 883 116
Growth rate applied to payroll for the previous fiscal year to establish the revenues for the fiscal year	3.2%	6.5%

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

4. SHORT-TERM INVESMENTS

	2002	2001
Short-term deposits	$36 800 000	$37 950 000
Bankers' acceptances	9 829 797	8 130 398
Treasury bills	3 470 320	
	$50 100 117	$46 080 398

Short-term investments bear interest at the market rate and their market value is also cost-sensitive.

5. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net	Net
Equipment	$1 190 037	$943 080	$246 957	$204 722
Furniture	536 293	435 156	101 137	104 830
Automotive equipment	23 813	17 313	6 500	6 500
Leasehold improvements	2 865 103	1 749 803	1 115 300	1 261 930
Data processing equipment and software	8 037 084	6 979 643	1 057 441	473 396
Development of information systems	3 078 707	115 687	2 963 020	983 715
	$15 731 037	$10 240 682	$5 490 355	$3 035 093

Fixed assets classified under the heading "Development of information systems", in the amount of $2 819 402, were not amortized in the current fiscal year since development work had not been completed and computer systems were not yet operational at year-end.

6. CLAIMS COLLECTED PAYABLE TO EMPLOYEES

	2002	2001
Payable at the beginning of the year	$100 645	$138 389
Claims collected by employers	2 289 012	3 174 458
	2 389 657	3 312 847
Claims paid to employees	2 210 893	3 195 231
Transfer to income from claims collected for employees that could not be located	25 744	16 971
	2 236 637	3 212 202
Payable at fiscal year-end	$153 020	$100 645

7. FUTURE FRINGE BENEFITS

Pension plans

The staff members of the Commission participate in the Government and Public Employees Retirement Plan (RREGOP), in the Civil Service Superannuation Plan (CSSP) and in the Pension Plan of Management Personnel (PPMP), which are administered by the Commission administrative des régimes de retraite et d'assurances. These are defined-benefit plans and include guaranteed payments upon retirement and death.

The Commission's contributions charged to the year-end statement amount to $759 337 (2001: $741 155). The liability of the Commission towards these Government plans is restricted to its contributions as an employer.

Provision for sick leave

	2002	2001
Opening balance	$5 195 797	$4 995 742
Charge for the year	1 134 838	915 230
Benefits paid during the year	(731 617)	(715 175)
Closing balance	$5 599 018	$5 195 797

8. SURPLUS

The Commission receives approximately 92% of its revenue during the last month of its fiscal year. Its operations, among other things, are financed from its surplus. For example, the $43 793 696 surplus as at March 31, 2002, will be used to finance the operating expenses anticipated for the first eleven months of the coming year.

9. COMMITMENTS

Under section 6.1 of the Act respecting labour standards, the Commission entered into an agreement with the Ministère du Revenu. Under this agreement, which runs until December 31, 2002 and is renewable every five years thereafter, the Ministère collects employer contributions and retains an annual collection fee according to the consumer price index.

In accordance with section 6.2 of the Act, the Commission must remit to the Minister of Labour the expenses it incurs in relation to the provisions pertaining to lawsuits filed in respect of illegal practices and wrongful dismissals. Thus, the Commission concluded a renewable agreement annually with the Ministère du Travail setting the maximum repayment of expenditure made by the Labour Commissioner-General at $3 325 000 for fiscal 2002 (2001: $3 440 200). As of fiscal 2003, la Commission des normes du travail will have to repay the expenses incurred in relation to these disposals by the Commission des relations du travail, which will henceforth assume the Bureau's responsibilities in this regard. The amount for the repayment of expenses had not yet been determined for fiscal 2003.

The Commission is bound under a contract for the development of an information system. The payment schedule is as follows:

2003	$2 615 948
2004	3 057 689
2005	1 216 686

10. CASH FLOWS

The cash and cash equivalents shown in the cash flow statement consist of cash on hand, bank balances and short-term investment, maturing in no more than three months or that are transferable, and include the following amounts recorded in the balance sheet:

	2002	2001
Cash on hand	$166 409	$64 149
Short-term investments	27 500 117	21 880 398
	$27 666 526	$21 944 547

11. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements and measured at exchange value, the Commission is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Commission did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

12. COMPARATIVE FIGURES

Certain 2001 figures were reclassified for consistency with the presentation adopted in 2002.

COMMISSION DES NORMES DU TRAVAIL

MANAGEMENT'S REPORT

The financial statements of the Commission des normes du travail were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Commission recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors oversees the manner in which management performs its financial reporting duties and has approved the financial statements. It is assisted by the audit committee, whose members are not management employees. The audit committee meets with management and the auditor, reviews the financial statements and recommends their approval to the board of directors.

The Auditor General of Québec has audited the Commission's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the audit committee to discuss any matter related to the audit.

Jean-Marc Boily
President and Chief Executive Officer

Jocelyn Girard
Director General of Administration

Québec, May 10, 2002

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Commission des normes du travail as at March 31, 2002, the statement of revenue and expenditure and surplus and the statement of cash flows for the year then ended. These financial statements are the responsibility of Commission management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Commission's financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, May 10, 2002

COMMISSION DES SERVICES JURIDIQUES
(R.S.Q., c. A-14)
GENERAL FUND

CONSOLIDATED REVENUE AND EXPENDITURE
for the year ended March 31, 2002

	Operations		Private practice (Section 52)		Total	
	2002	2001	2002	2001	2002	2001
REVENUE						
Gouvernement du Québec grants						
Regular	$68 055 298	$62 669 600	$48 536 774	$40 932 594	$116 592 072	$103 602 194
Court costs	1 651 659	1 635 870	843 341	859 130	2 495 000	2 495 000
	69 706 957	64 305 470	49 380 115	41 791 724	119 087 072	106 097 194
EXPENDITURE	71 024 084	66 135 795	47 171 440	37 071 987	118 195 524	103 207 782
	(1 317 127)	(1 830 325)	2 208 675	4 719 737	891 548	2 889 412
OTHER REVENUE (Note 4)	1 391 247	1 463 960	479 246	435 258	1 870 493	1 899 218
EXCESS REVENUE OVER EXPENDITURE (EXPENDITURE OVER REVENUE)	$74 120	$(366 365)	$2 687 921	$5 154 995	$2 762 041	$4 788 630

The notes are an integral part of the consolidated financial statements.

CONSOLIDATED SURPLUS
for the year ended March 31, 2002

	2002	2001
SURPLUS (DEFICIT), BEGINNING OF YEAR	$143 946	$(5 856 054)
Operations		
Excess revenue over expenditure (expenditure over revenue)	74 120	(366 365)
Transfer to the general reserve (Note 5)	(681 728)	(350 287)
Application of the general reserve (Note 6)	607 608	716 652
Private practice		
Excess revenue over expenditure	2 687 921	5 154 995
Transfer to the general reserve (Note 5)	(3 120 515)	(432 594)
Application of the general reserve (Note 6)	432 594	1 277 599
		6 000 000
SURPLUS, END OF YEAR	$143 946	$143 946

The notes are an integral part of the consolidated financial statements.

COMMISSION DES SERVICES JURIDIQUES

GENERAL FUND

CONSOLIDATED GENERAL RESERVE
for the year ended March 31, 2002

	2002	2001
OPENING BALANCE	$2 144 610	$3 355 980
Increase in the general reserve (Note 5)	3 802 243	782 881
	5 946 853	4 138 861
Application of the general reserve (Note 6)		
Account payment – private practice	432 594	1 277 599
Other	607 608	716 652
	1 040 202	1 994 251
CLOSING BALANCE	$4 906 651	$2 144 610

The notes are an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW
for the year ended March 31, 2002

	2002	2001
OPERATING ACTIVITIES		
Excess revenue over expenditure (expenditure over revenue)		
Operations	$74 120	$(366 365)
Private practice	2 687 921	5 154 995
	2 762 041	4 788 630
Change in non-cash working capital items (Note 7)		
Operations	(1 850 881)	4 257 673
Private practice	(2 399 125)	(436 582)
Cash flows related to operating activities	(1 487 965)	8 609 721
FINANCING ACTIVITIES		
Borrowing from the Financing Fund and cash flows related to financing activities		(6 000 000)
NET INCREASE (DECREASE) IN CASH ON HAND	(1 487 965)	2 609 721
CASH ON HAND, BEGINNING OF YEAR	9 110 968	6 501 247
CASH ON HAND, END OF YEAR	$7 623 003	$9 110 968

The notes are an integral part of the consolidated financial statements.

COMMISSION DES SERVICES JURIDIQUES

GENERAL FUND

CONSOLIDATED BALANCE SHEET
as at March 31, 2002

	2002	2001
ASSETS		
Current assets		
Cash on hand	$7 623 003	$9 110 968
Accounts receivable (Note 8)	4 087 997	3 953 959
Expenses deferred to the coming fiscal year	374 957	283 677
Advances on deferred salaries	44 588	52 691
	$12 130 545	$13 401 295
LIABILITIES		
Current liabilities		
Accounts payable (Note 9)	$5 261 754	$9 582 580
Deferred salaries	359 050	289 303
Amounts collected in advance (Note 10)	1 459 144	1 240 856
	7 079 948	11 112 739
EQUITY		
Surplus (deficit)	143 946	143 946
General reserve	4 906 651	2 144 610
	5 050 597	2 288 556
	$12 130 545	$13 401 295

The notes are an integral part of the consolidated financial statements.

On behalf of the Commission des services juridiques,
Pierre Bélanger, Administrator
Hélène Leduc, Administrator

COMMISSION DES SERVICES JURIDIQUES
PROFESSIONAL LIABILITY FUND
FIRE AND THEFT FUND

CONSOLIDATED BALANCE SHEETS
as at March 31, 2002

	2002	2001
PROFESSIONAL LIABILITY FUND		
ASSETS		
Current assets		
Cash on hand	$10 926	$16 341
Interest receivable	49	38
Investments (Note 11)	311 260	311 260
	$322 235	$327 639
LIABILITIES		
Current liabilities		
Owed to the General Fund	$10 975	$16 379
Equity		
Reserve	311 260	311 260
	$322 235	$327 639
FIRE AND THEFT FUND		
ASSETS		
Current assets		
Cash on hand	$8 776	$13 125
Interest receivable	39	30
Investments (Note 11)	250 000	250 000
	$258 815	$263 155
LIABILITIES		
Current liabilities		
Owed to the General Fund	$8 815	$13 155
Equity		
Reserve	250 000	250 000
	$258 815	$263 155

The notes are an integral part of the consolidated financial statements.

On behalf of the Commission des services juridiques,
Pierre Bélanger, Administrator
Hélène Leduc, Administrator

COMMISSION DES SERVICES JURIDIQUES

CONSOLIDATED ADDITIONAL INFORMATION
for the year ended March 31, 2002

EXPENDITURE

	2002	2001
OPERATIONS		
Administration		
Office furniture and equipment	$1 015 360	$1 122 766
Other administrative expenses	252 680	278 838
Library	407 092	481 107
Assessments and professional training	579 544	647 544
Electricity	3 635	20 595
Maintenance and repairs	284 032	320 739
Office supplies	607 720	649 275
Travelling expenses	931 880	793 465
Postage	341 138	325 821
Information	49 055	52 470
Rent, taxes and permits	5 809 078	5 615 587
Directors' meeting	91 527	79 558
Professional services	577 313	654 169
Telecommunications	742 850	770 349
	11 692 904	11 812 283
Salaries and fringe benefits		
Attorneys	36 411 035	31 793 694
Other	19 148 494	18 482 843
	55 559 529	50 276 537
Judicial fees		
Free services		
Civil	3 345 689	3 573 804
Criminal	335 002	364 688
	3 680 691	3 938 492
Services for a fee		
Civil	79 071	87 531
Criminal	11 889	20 952
	90 960	108 483
	3 771 651	4 046 975
Amounts carried forward	$71 024 084	$66 135 795

COMMISSION DES SERVICES JURIDIQUES

CONSOLIDATED ADDITIONAL INFORMATION (cont'd)
for the year ended March 31, 2002

EXPENDITURE (cont'd)

	2002	2001
Amounts brought forward	$71 024 084	$66 135 795
PRIVATE PRACTICE (SECTION 52)		
Free services		
Professional fees		
Civil	20 942 294	15 898 894
Criminal	17 694 312	12 690 490
Notarial	44 999	59 948
	38 681 605	28 649 332
Legal fees [a]		
Civil	5 247 224	5 374 708
Criminal	1 345 903	1 428 578
Notarial	36 690	47 900
	6 629 817	6 851 186
Other expenses	154 870	132 329
Interest	17 694	18 491
Interest on borrowing		306 157
	172 564	456 977
	45 483 986	35 957 495
Services for a fee		
Professional fees		
Civil	1 058 051	703 615
Criminal	235 046	102 857
Notarial	4 004	1 778
	1 297 101	808 250
Legal fees [b]		
Civil	306 351	272 886
Criminal	83 304	33 060
Notarial	698	296
	390 353	306 242
	1 687 454	1 114 492
	47 171 440	37 071 987
	$118 195 524	$103 207 782

(a) Includes legal fees in the amount of $5 274 523 and other fees in the amount of $1 355 294.
(b) Includes legal fees in the amount of $339 083 and other fees in the amount of $51 270.

COMMISSION DES SERVICES JURIDIQUES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
as at March 31, 2002

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1. STATUS

The Commission des services juridiques was established under the Legal Aid Act.

2. ACCOUNTING POLICIES

Consolidation principles

The consolidated financial statements include the accounts of the Commission des services juridiques and the following centres:

Regional centres:

Centre communautaire juridique de Montréal (including the Services juridiques communautaires de Pointe St-Charles and Petite Bourgogne Inc.);
Centre communautaire juridique des Laurentides-Lanaudière;
Centre communautaire juridique de la Rive-Sud;
Centre communautaire juridique de Québec;
Centre communautaire juridique de l'Outaouais;
Centre communautaire juridique de l'Estrie;
Centre communautaire juridique du Saguenay - Lac St-Jean;
Centre communautaire juridique de la Mauricie - Bois-Francs;
Centre communautaire juridique du Bas St-Laurent - Gaspésie;
Centre communautaire juridique de la Côte-Nord;
Centre communautaire juridique de l'Abitibi-Témiscamingue;

Local centres:

Clinique juridique populaire de Hull Inc., Outaouais.

Financial statement presentation

The financial statements were prepared in accordance with the accounting principles that are generally accepted in Canada and take into account the following:

Accounting estimates

To draw up the financial statements, Commission management must make estimates and assumptions that affect the amounts presented as assets and liabilities, the presentation of eventual assets and liabilities as at the date of the financial statements and the amounts presented as receipts and charges for the fiscal year. The actual results may differ from these estimates.

Private practice (Section 52)

Professional fees, legal fees and interest paid to private practice (Section 52) are recorded on a cash basis and revenue is recorded according to amounts authorized by the Gouvernement du Québec.

Services for a fee

Revenue from administrative expenses is recorded on a cash basis. Other contributions from beneficiaries are recorded on a cash basis for files closed during the year.

Bills for expenses and reimbursement of legal aid costs

Bills for expenses and reimbursement of legal aid costs are recorded on a cash basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
as at March 31, 2002

2. ACCOUNTING POLICIES (cont'd)

Fixed assets

No fixed assets fund is provided for in the books of the Commission des services juridiques. Consequently, all acquisitions of fixed assets are charged to current operations and budgeted accordingly.

Salaries

The salaries of employees are recorded on an accrual basis for the 26 regular pay periods. Vacation pay is recorded on a cash basis.

Fund transfers

Under the resolutions of the Commission, the reserve of the Fire and Theft Fund and the Professional Liability Fund must be $250 000 and $311 260 respectively. Any surplus expenditure or revenue must be transferred to the General Fund.

3. RESTRICTION ON CASH USE

Certain community legal centre employees invoked a collective agreement clause enabling them to have amounts deducted at the source for a future paid sabbatical. The amounts deducted are included under cash and total $353 207 (2001: $289 303).

4. OTHER REVENUE

	2002	2001
Operations		
Services for a fee [a]	$762 603	$741 230
Bill for expenses	67 464	47 388
Reimbursement of legal aid costs	201 607	164 875
Interest	336 752	482 136
Other	12 986	10 565
Net revenue of the Professional Liability Fund and the Fire and Theft Fund	9 835	17 766
	$1 391 247	$1 463 960
Private practice (Section 52)		
Contributions from beneficiaries	$479 246	$435 258

(a) Effective January 1, 1997, certain beneficiaries are eligible for services under the Legal Aid Act for a fee.

	2002	2001
Contributions from beneficiaries	$483 488	$469 842
Administrative expenses	279 115	257 880
Interest		13 508
	$762 603	$741 230

5. GENERAL RESERVE

During the fiscal year, the Commission transferred $681 728 (2001: $350 287) representing a portion of surplus Gouvernement du Québec grants to court costs, on the invoicing of these costs. During the fiscal year, $3 120 515 (2001: $432 594) from the excess of proceeds on private practice charges was transferred to the general reserve. This amount, which will be paid subsequently, consists primarily of the additional grant linked to certain court decisions regarding the interpretation or application of the rates agreement for lawyers in private practice.

6. APPLICATION OF THE GENERAL RESERVE

During the year, the Commission used $1 040 202 (2001: $1 994 251) from the general reserve for the following purposes:

	2002	2001
Informatics master plan		
Data processing equipment and software	$565 327	$577 334
Professional services	30 329	41 788
Other expenditure	11 952	57 728
Revision of salaries for past years		39 802
	607 608	716 652
Account payment – private practice	432 594	1 277 599
	$1 040 202	$1 994 251

These amounts are recorded as expenditure for the year.

7. CASH FLOW INFORMATION

Changes in working capital elements are as follows:

	2002	2001
Operations		
Accounts receivable	$2 377 368	$4 977 169
Expenses deferred to the coming fiscal year	(91 280)	(9 707)
Advances on deferred salaries	8 103	(22 725)
Accounts payable	(4 305 037)	(951 682)
Deferred salaries	69 747	187 477
Amounts collected in advance	90 218	77 141
	$(1 850 881)	$4 257 673
Private practice		
Accounts receivable	$(2 511 406)	$(432 594)
Accounts payable	(15 789)	(60 686)
Amounts collected in advance	128 070	56 698
	$(2 399 125)	$(436 582)

Cash flows related to interest on operating activities are as follows:

	2002	2001
Interest paid		$324 648

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
as at March 31, 2002

8. ACCOUNTS RECEIVABLE

	2002	2001
Accrued interest	$1 463	$8 079
Advance to the Professional Liability Fund	10 975	16 379
Advance to the Fire and Theft Fund	8 815	13 155
Gouvernement du Québec grants		
Private practice	2 944 000	432 594
Temporary voluntary departure program	1 093 535	3 413 704
Other	29 209	70 048
	$4 087 997	$3 953 959

9. ACCOUNTS PAYABLE

	2002	2001
Accounts payable and accruals	$1 014 970	$1 156 322
Salaries and source deductions	1 543 643	2 861 678
Temporary voluntary departure program	838 938	3 639 159
Court costs		
Operations	1 020 862	1 066 291
Private practice	843 341	859 130
	$5 261 754	$9 582 580

10. AMOUNTS COLLECTED IN ADVANCE

	2002	2001
Services for a fee – permanence	$655 141	$563 115
Services for a fee – private practice	804 003	675 933
Other		1 808
	$1 459 144	$1 240 856

11. INVESTMENTS

	2002	2001
Professional Liability Fund		
Deposit certificates with the National Bank of Canada, 1.90%, maturing in April 2002	$311 260	$311 260
Fire and Theft Fund		
Deposit certificates with the National Bank of Canada, 1.90%, maturing in April 2002	$250 000	$250 000

12. COMMITMENTS

Professional fees, legal fees and interest paid to private practice (Section 52)

As at March 31, 2002, mandates referred to professionals in private practice but unpaid amount to approximately $52 000 000 and break down as follows:

	Estimated cost of mandates			
	Civil	Criminal	Notarial	Total
Mandates issued under the old Legal Aid Act as at September 25, 1996				
1973-1997	$1 240 000	$455 000	$5 000	$1 700 000
Mandates issued since September 26, 1996 under the new Legal Aid Act				
Free services				
1996-1998	$505 000	$620 000		$1 125 000
1998-1999	1 620 000	1 170 000		2 790 000
1999-2000	1 875 000	1 945 000	$10 000	3 830 000
2000-2001	4 845 000	6 700 000	45 000	11 590 000
2001-2002	15 165 000	13 870 000	30 000	29 065 000
	$24 010 000	$24 305 000	$85 000	$48 400 000
Services for a fee				
1996-1998	$85 000	$60 000		$145 000
1998-1999	65 000	70 000		135 000
1999-2000	190 000	45 000		235 000
2000-2001	153 000	45 000		198 000
2001-2002	925 000	262 000		1 187 000
	$1 418 000	$482 000		$1 900 000

Since required contributions cannot exceed the actual cost of cases, it is impossible to assess the attendant revenue. This revenue will be recorded as revenue when the claim form is paid.

The estimated costs for mandates referred to private practice were determined by the Commission des services juridiques.

Lease

The Commission and the community legal centres are committed to leases for office space and equipment which call for lease payments of $14 917 206. The minimum lease payments for the next five fiscal years amount to $4 596 122 in 2003, $3 836 015 in 2004, $3 281 889 in 2005, $1 991 425 in 2006 and $1 211 755 in 2007.

13. CONTINGENCIES

Proceedings have been instituted against some community legal centres for amounts totalling approximately $286 889. Should the Commission be called upon to settle claims for amounts that are presently impossible to assess, the resulting loss would be recorded as period costs. This amount pertains to professional lawsuits for which a professional liability fund has been provided for in the financial statements.

COMMISSION DES SERVICES JURIDIQUES

AUDITORS' REPORT

To the Members of the
Commission des services juridiques

We have audited the consolidated balance sheets of the General Fund, Professional Liability Fund and Fire and Theft Fund of the Commission des services juridiques as at March 31, 2002, and the consolidated statements of revenue and expenditure, surplus, general reserve and cash flow of the General Fund for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is consists in expressing an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the Commission's financial position as at March 31, 2002 and the results of its operations and its cash flows for the year then ended, in accordance with the accounting principles disclosed in Note 2.

Raymond Chabot Grant Thornton
Chartered Accountants

Montréal, May 30, 2002

COMMISSION DES VALEURS MOBILIÈRES DU QUÉBEC
(R.S.Q., c. V-1.1)

REVENUE AND EXPENDITURE AND SURPLUS
for the year ended March 31, 2002

	2002	2001
REVENUE		
Dues (Note 3)	$34 584 038	$36 286 365
Settlement agreements and fines	2 808 387	332 750
Interest on bank deposits	2 342 844	2 073 692
	39 735 269	38 692 807
EXPENDITURE		
Salaries and fringe benefits	14 240 980	13 215 541
Rent	1 999 907	1 871 571
Transportation and communications	1 553 651	1 043 669
Professional and administrative services	3 460 465	2 006 469
Reimbursement of expenses incurred by the Government for law enforcement	60 681	585 949
Maintenance and repairs	256 807	184 192
Material and supplies	459 856	359 399
Bad debts	123 454	28 312
Depreciation of fixed assets	1 180 873	1 078 760
	23 336 674	20 373 862
EXCESS REVENUE OVER EXPENDITURE	16 398 595	18 318 945
SURPLUS, BEGINNING OF YEAR	43 152 707	24 833 762
SURPLUS, END OF YEAR	$59 551 302	$43 152 707

COMMISSION DES VALEURS MOBILIÈRES DU QUÉBEC

BALANCE SHEET
as at March 31, 2002

	2002	2001
ASSETS		
Current assets		
Cash on hand	$2 011 810	$2 219 197
Short-term investments (Note 4)	16 490 000	
Settlement agreements and fines receivable	3 586 391	2 379 244
Interest receivable	1 281 795	1 423 483
Other accounts receivable	72 662	81 929
Prepaid expenses	429 969	377 229
	23 872 627	6 481 082
Investments (Note 4)	40 621 060	41 893 381
Fixed assets (Note 5)	5 490 164	2 420 762
	46 111 224	44 314 143
	$69 983 851	$50 795 225
LIABILITIES		
Current liabilities		
Accounts payable and accruals	$4 365 088	$4 803 111
Dues to be refunded	437 787	413 268
Amount owed to the Gouvernement du Québec	62 789	605 470
Amount owed to the Société immobilière du Québec	3 439 562	
	8 305 226	5 821 849
Allowance for sick leave (Note 6)	2 127 323	1 820 669
	10 432 549	7 642 518
SURPLUS		
Unappropriated surplus	29 206 207	12 624 312
Contingency reserve (Note 7)	30 345 095	30 528 395
	59 551 302	43 152 707
	$69 983 851	$50 795 225

SUBSEQUENT EVENTS (Note 8)

On behalf of the Commission,
Carmen Crépin
Viateur Gagnon

COMMISSION DES VALEURS MOBILIÈRES DU QUÉBEC

CASH FLOW
for the year ended March 31, 2002

	2002	2001
OPERATING ACTIVITIES		
Excess revenue over expenditure	$16 398 595	$18 318 945
Adjustments for:		
Depreciation of fixed assets	1 180 873	1 078 760
Earnings on sale of fixed assets		(869)
Increase in the provision for sick leave	306 654	391 264
	17 886 122	19 788 100
Change in non-cash elements of the Working Capital Fund:		
Increase in fees and other debtors	(1 197 880)	(1 363 724)
Change in interest receivable	141 688	(783 347)
Increase in prepaid expenses	(52 740)	(61 273)
Change in creditors and accrued liability	(438 023)	3 099 578
Increase in refundable fees	24 519	77 496
Change in the amount owed to the Gouvernement du Québec	(542 681)	13 492
Increase in the amount owed to the Société immobilière du Québec	3 439 562	
Increase in revenue collected in advance		(83 977)
	1 374 445	898 245
Cash flows related to operating activities	19 260 567	20 686 345
INVESTMENT ACTIVITIES		
Acquisition of investments	(40 140 956)	(42 413 064)
Sale of investments	41 413 277	22 869 971
Acquisition of fixed assets	(4 250 275)	(961 417)
Proceeds from the sale of fixed assets		869
Cash flows related to investment activities	(2 977 954)	(20 503 641)
NET CHANGE IN CASH AND CASH EQUIVALENT	16 282 613	182 704
CASH ON HAND, BEGINNING OF YEAR	2 219 197	2 036 493
CASH AND CASH EQUIVALENT, END OF YEAR	$18 501 810	$2 219 197
REPRESENTED BY:		
Cash on hand	$2 011 810	$2 219 197
Short-term investments	16 490 000	
	$18 501 810	$2 219 197

COMMISSION DES VALEURS MOBILIÈRES DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

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1. CONSTITUTION AND PURPOSE

The Commission des valeurs mobilières was established by the Securities Act (R.S.Q., c. V-1.1) for the purpose of administering said Act and performing the functions provided for therein.

The Commission is a legal person acting as an agent of the Government.

Its mission is to:

- promote the smooth operation of the securities market;
- protect investors from dishonest, fraudulent and abusive practices;
- control the information of security holders and the public regarding persons making public offerings and the securities offered;
- supervise the activities of securities professionals, their associations, and organizations responsible for overseeing the operations of securities markets.

Under the Income Tax Act (RSC 1985, c.1, 5th supplement) and the Taxation Act (R.S.Q., c. I-3), the Commission is not subject to income tax.

2. ACCOUNTING POLICIES

The financial statements of the Commission were prepared by management in accordance with accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements. These estimates include a provision for retroactive payment of Commission employee salaries, for which negotiations will continue in the coming fiscal year. The amount of this provision may vary significantly once negotiations have terminated.

Investments

Investments are recorded at cost.

Fixed assets

Fixed assets are recorded at cost and depreciated on a straight-line basis over their service lives:

Data processing equipment	3 years
Software	3 years
Office equipment	5 years
Office furniture	5 years
Leasehold improvements – Equipment	5 years
Leasehold improvements – Layout	15 years

Pension plans

The accounting procedure used for defined-contribution plans is applied to interentreprise government defined-benefit plans, given that the Commission lacks sufficient information to apply the accounting procedure for defined-benefit plans.

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

3. DUES

	2002	2001
Corporate financing	$25 572 363	$24 170 056
Inscriptions	4 794 958	8 496 574
Financial information	3 998 827	3 450 310
Inspections	199 064	151 725
Other	18 826	17 700
	$34 584 038	$36 286 365

4. INVESTMENTS

Investments comprise demand deposits, deposit certificates and guaranteed promissory notes bearing interest at a fixed rate until maturity; these rates fall between 2.16% and 4.68%. These investments mature during the coming fiscal year. A portion of these investments is presented as long-term since they will be renewed at maturity and that they are not held in order to meet short-term cash commitments.

	2002	2001
Investments	$57 111 060	$41 893 381
Portion of investments presented as short-term	(16 490 000)	
	$40 621 060	$41 893 381

5. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net	Net
Data processing equipment	$1 867 579	$1 276 923	$590 656	$732 744
Software	974 260	606 845	367 415	338 385
Office equipment	620 480	334 261	286 219	259 882
Office furniture	2 181 740	1 336 523	845 217	1 017 172
Leasehold improvements – Equipment	152 374	86 860	65 514	72 579
Leasehold improvements – Layout	3 335 143		3 335 143	
	$9 131 576	$3 641 412	$5 490 164	$2 420 762

6. FRINGE BENEFITS

Pension plans

The staff members of the Commission participate in the Government and Public Employees Retirement Plan (RREGOP) or the Civil Service Superannuation Plan (CSSP) or the Pension Plan of Management Personnel (PPMP). These are defined-benefit plans and include guaranteed payments upon retirement and death.

The Commission's contributions charged to results on the year-end statement amount to $406 833 (2001: $250 300). The liability of the Commission towards this Government plan is restricted to its contributions as an employer.

6. FRINGE BENEFITS (cont'd)

Provision for sick leave

	2002	2001
Opening balance	$1 820 669	$1 429 405
Expenditures for the year	496 803	615 533
Benefits paid during the year	(190 149)	(224 269)
Closing balance	$2 127 323	$1 820 669

7. CONTINGENCY RESERVE

As stipulated in section 276.4 of the Securities Act (R.S.Q., c. V-1.1), the Commission resolved to create a contingency reserve of a maximum of the higher of $30 000 000 or total expenses estimated for the Commission's coming fiscal year based on the plan proposed to the Government. This reserve was created to offset unforeseen changes in the Commission's expenditures or revenues.

8. SUBSEQUENT EVENTS

Creation of separate funds

As stipulated in section 276.4 of the Securities Act (R.S.Q., c. V-1.1), the Commission may, with the Government's authorization, create a specific-purpose fund. On April 9, 2002, the Commission passed a resolution to create two separate funds, each of an amount equal to half of the unappropriated surplus as at March 31, 2002. One of these funds will be allocated to a temporary reduction of 15% of the appropriate fees and the other the development of services for the industry and investor education. This decision is subject to the Government's authorization.

Agence nationale d'encadrement du secteur financier

Bill 107 regarding the Act respecting the Agence nationale d'encadrement du secteur financier was presented to the National Assembly on May 8, 2002. Under this draft legislation, the Agency would be responsible for exercising the duties and powers provided for in the Securities Act (R.S.Q., c. V-1.1) since it would replace the Commission des valeurs mobilières du Québec.

9. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements and recorded at exchange value, the Commission is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. Apart from the acquisition of the developments of the Société immobilière du Québec in the amount of $3 335 143, the Commission did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

COMMISSION DES VALEURS MOBILIÈRES DU QUÉBEC

MANAGEMENT'S REPORT

The financial statements of the Commission des valeurs mobilières du Québec were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements. Management performs audits periodically to ensure that the internal controls applied regularly by the Commission are appropriate and consistent.

The Commission recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

At the audit committee's recommendation, the Commission's assembly of members has adopted the audited financial statements and the auditor's report.

The Auditor General of Québec has audited the Commission's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with management to discuss any matter related to the audit.

Carmen Crépin
President

Linda Levasseur
Director General of Administration

Montréal, May 17, 2002

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Commission des valeurs mobilières du Québec as at March 31, 2002, the statement of revenue and expenditure and surplus and the statement of cash flow for the year then ended. These financial statements are the responsibility of Commission management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Commission's financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5-01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, May 17, 2002

CONSEIL DES ARTS ET DES LETTRES DU QUÉBEC
(R.S.Q., c. C-57.02)

REVENUE AND EXPENDITURE
for the year ended March 31, 2002

	2002	2001 (Note 3)
REVENUE		
Gouvernement du Québec subsidies		
Financial assistance	$52 850 000	$56 918 650
Administration fees	5 008 237	4 956 938
	57 858 237	61 875 588
Interest on short-term investments	961 370	1 265 366
	58 819 607	63 140 954
EXPENDITURE		
Financial assistance granted		
Theatre	15 931 004	19 482 800
Circus arts	430 596	271 380
Music	16 897 578	17 772 592
Visual and media arts	9 404 223	10 128 523
Dance	7 232 996	7 160 713
Literature	2 509 668	2 542 771
Multidisciplinary arts	942 826	1 041 200
Other activities	225 750	107 000
	53 574 641	58 506 979
Cancellation of financial assistance granted in previous years	(185 002)	(404 642)
	53 389 639	58 102 337
Administrative expenses (Note 4)	5 260 453	4 647 164
	58 650 092	62 749 501
EXCESS REVENUE OVER EXPENDITURE	$169 515	$391 453

DEFICIT
for the year ended March 31, 2002

	2002	2001
OPENING BALANCE		
Previously established balance	$(349 205)	$(607 170)
Adjustment (Note 3)	874 663	741 175
Adjusted balance	525 458	134 005
Excess revenue over expenditure	169 515	391 453
CLOSING BALANCE	$694 973	$525 458

CONSEIL DES ARTS ET DES LETTRES DU QUÉBEC

BALANCE SHEET
as at March 31, 2002

	2002	2001 (Note 3)
ASSETS		
Current assets		
Cash on hand	$1 112 874	$543 655
Short-term investments at 2.09%, at cost	5 858 184	16 186 300
Accounts receivable	65 150	49 413
Subsidies receivable	2 450 000	2 374 663
Advance to an organization	103 000	
Prepaid expenses	40 150	17 843
	9 629 358	19 171 874
Fixed assets (Note 5)	399 363	98 596
	$10 028 721	$19 270 470
LIABILITIES		
Current liabilities		
Accounts payable and accruals	$343 227	$544 843
Financial assistance payable	7 303 325	16 425 506
Portion of long-term debt maturing in the short term	59 542	
	7 706 094	16 970 349
Long-term debt (Note 6)	203 525	
Financial assistance payable	456 250	900 000
Provision for sick leave and vacation time (Note 7)	967 879	874 663
	9 333 748	18 745 012
SURPLUS	694 973	525 458
	$10 028 721	$19 270 470

TRUST FUNDS (Note 9)

COMMITMENTS (Note 11)

On behalf of the Board of Directors,
Marie-Claire Lévesque
Suzanne Masson

CONSEIL DES ARTS ET DES LETTRES DU QUÉBEC

CASH FLOWS
for the year ended March 31, 2002

	2002	2001
OPERATING ACTIVITIES		
Excess revenue over expenditure	$169 515	$391 453
Elements with no impact on liquid assets		
Depreciation of fixed assets	90 775	20 988
	260 290	412 441
Change in assets and liabilities linked to operations		
Increase in accounts receivable	(15 737)	(13 437)
Increase in subsidies receivable	(75 337)	(1 571 588)
Increase in advance to an organization	(103 000)	
Change in prepaid expenses	(22 307)	22 654
Change in accounts payable and accrued liabilities	(201 616)	83 988
Increase in the provision for sick leave and vacation time	93 216	133 488
Change in financial assistance payable	(9 565 931)	1 478 083
	(9 890 712)	133 188
Cash flows (used ford) provided by operating activities	(9 630 422)	545 629
INVESTMENT ACTIVITIES		
Cash flows used for investment activities		
Acquisition of fixed assets	(391 542)	(119 584)
FINANCING ACTIVITIES		
Long-term debt	297 710	
Repayment of long-term net	(34 643)	
Cash flows provided by financing activities	263 067	
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(9 758 897)	426 045
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	16 729 955	16 303 910
CASH AND CASH EQUIVALENTS – END OF YEAR (Note 8)	$6 971 058	$16 729 955

CONSEIL DES ARTS ET DES LETTRES DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

The Conseil is a corporation established under the Act respecting the Conseil des arts et des lettres du Québec (R.S.Q., c. C-57.02). It is competent to act in the fields of visual arts, arts and crafts, literature, performing arts, multidisciplinary arts, media arts and in matters of architectural research. The goal of the Conseil is to support creation, experimentation and production in all regions of Québec and to foster the diffusion thereof in Québec and, in compliance with Québec's policies in matters of Canadian intergovernmental affairs and international affairs, elsewhere in Canada and abroad. A further goal of the Conseil is to support artists in the development of their craft.

The Conseil administers the following trust funds: "Conseil régional de développement de la Mauricie (CRDM) – Fonds dédiés aux arts et aux lettres de la Mauricie" and "Québec – New York 2001".

2. ACCOUNTING POLICIES

The financial statements of the Conseil were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

The Conseil's accounts do not include those of the trust funds.

Cash and cash equivalents

The Conseil's policy is to present as cash and cash equivalents bank balances and short-term investments maturing in no more than three months.

Pension plans

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the Conseil lacks sufficient information to apply the accounting procedure for defined-benefit plans.

Fixed assets

Fixed assets are recorded at cost and amortized using the straight-line method of amortization over the estimated service life, namely:

Furniture	5 years
Computer equipment	3 years
Computer-related development	3 years
Leasehold improvements	Term of lease

Financial assistance granted

The financial assistance granted is recorded when authorized and when the beneficiary meets the eligibility criteria.

3. CHANGE IN ACCOUNTING

The Gouvernement du Québec awarded the Conseil a specific subsidy of $875 000 in 2002 for funding expenditures related to vacation time and sick leave accumulated by Conseil employees as at March 31, 2001.

The financial statements for the fiscal year ended March 31, 2001 were adjusted accordingly, resulting in an increase in the following financial statement items:

	2001
Results	
Gouvernement du Québec subsidy - Administration	$133 488
Excess revenue over expenditure	133 488

3. CHANGE IN ACCOUNTING (cont'd)

	2001
Balance sheet	
Subsidy receivable	$874 663
Surplus	874 663

4. ADMINISTRATIVE EXPENSES

	2002	2001
Salaries and fringe benefits	$3 766 578	$3 327 801
Professional, administrative, and other services	470 956	490 089
Transportation and communications	385 053	393 564
Rent	436 237	331 341
Materials and supplies	93 541	71 515
Maintenance and repairs	17 313	11 866
Depreciation of fixed assets	90 775	20 988
	$5 260 453	$4 647 164

5. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net	Net
Furniture	$22 141	$3 481	$18 660	$6 171
Computer equipment	70 636	18 404	52 232	32 144
Computer-related development	71 614	38 771	32 843	29 800
Leasehold improvements	346 735	51 107	295 628	30 481
	$511 126	$111 763	$399 363	$98 596

6. LONG-TERM DEBT

	2002	2001
Borrowing from the Société immobilière du Québec, 6.68%, repayable in monthly instalments of $5 818, maturing in August 2006*	$263 067	
Payments within one year	59 542	
	$203 525	

* To finance leasehold improvements made to the Montréal office.

6. LONG-TERM DEBT (cont'd)

The capital payments to be made over the next five fiscal years are as follows:

2003	$59 542
2004	59 542
2005	59 542
2006	59 542
2007	24 809

7. FUTURE FRINGE BENEFITS

Pension plans

The staff members of the Conseil participate in the Government and Public Employees Retirement Plan (RREGOP), the Civil Service Superannuation Plan (CSSP) and the Pension Plan of Management Personnel (PPMP). These are interenterprise defined-benefit plans and include guaranteed payments upon retirement and death.

The Conseil's contributions charged to the year-end statement amount to $118 171 (2001: $90 328). The Conseil's liability towards these Government plans is restricted to its contributions as an employer.

Provision for sick leave and vacation time

	2002			2001
	Sick leave	Vacation time	Total	Total
Opening balance	$532 265	$342 398	$874 663	$741 175
Charges for the year	114 913	235 303	350 216	329 422
Benefits paid during the year	(43 313)	(213 687)	(257 000)	(195 934)
Closing balance	$603 865	$364 014	$967 879	$874 663

8. CASH FLOWS

The cash and cash equivalents shown in the cash flow statement include the following amounts recorded on the balance sheet:

	2002	2001
Cash on hand	$1 112 874	$543 655
Short-term investments	5 858 184	16 186 300
	$6 971 058	$16 729 955

Interest paid over the year totalled $5 992 (2001: $–).

9. TRUST FUNDS

Trust Fund – Conseil régional de développement de la Mauricie (CRDM) – Fonds dédiés aux arts et aux lettres de la Mauricie

Under an agreement signed in December 2001, the Conseil régional de développement de la Mauricie committed to paying $150 000 in payments spread equally over the fiscal years ended March 31, 2002, 2003 and 2004 into a trust fund in the context of the regional development fund.

The Conseil serves as fund trustee.

The Conseil pays the amounts to professional artists and artists' associations in Mauricie according to the terms, conditions and procedures in effect. The agreement ends March 31, 2004. If, as this date, the subsidies awarded do not total $150 000, the Conseil and the Conseil régional de développement de la Mauricie will agree on how the amounts available and the interest generated by the Fund will be used.

Balance Sheet
as at March 31, 2002

	2002	2001
Assets		
Cash on hand	$40 000	
Accrued interest	25	
Contribution receivable	10 000	
	$50 025	
Liabilities		
Financial assistance payable	$50 000	
Fund balance	25	
	$50 025	

Changes in Fund Balance
for the year ended March 31, 2002

	2002	2001
Opening Fund balance		
Increase		
Contributions	$50 000	
Interest	25	
	50 025	
Decrease		
Contributions granted	50 000	
Closing Fund balance	$25	

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

9. TRUST FUNDS (cont'd)

Trust Fund – Québec – New York 2001

Under an agreement signed in November 2000 and amended the following December 14, the Commissariat général Québec – New York 2001 committed to paying $323 000 into a trust fund in order to award subsidies to artistic organizations for the presentation of performances or exhibitions within the context of the event Québec – New York 2001.

The Conseil serves as fund trustee.

The Conseil pays the amounts to organizations according to the terms and condition of the agreement and in keeping with current procedure. The agreement will terminate on December 31, 2001. The Conseil and the Commissariat will agree on how the interest of the Fund balance will be used.

Balance Sheet
as at March 31, 2002

	2002	2001
Assets		
Cash on hand	$2 973	$20 105
Short-term investments at 4.95% - at cost		79 924
Accrued interest		457
Contribution receivable		223 000
	$2 973	$323 486
Liabilities		
Financial assistance payable		$323 000
Closing Fund balance	$2 973	486
	$2 973	$323 486

Changes in Fund Balance
for the year ended March 31, 2002

	2002	2001
Opening Fund balance	$486	
Increase		
Contributions	40 237	$323 000
Interest	2 487	486
	43 210	323 486
Decrease		
Contributions granted	109 737	323 000
Cancellation of contributions awarded in past fiscal years	(69 500)	
Closing Fund balance	$2 973	$486

10. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements and recorded at exchange value, the Conseil is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Conseil did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

11. COMMITMENTS

The Conseil is committed under a long-term occupancy agreement ending March 31, 2004 to the Société immobilière du Québec for the Québec City office and ending August 31, 2006 for the Montréal office.

Rental costs for the fiscal year ended March 31, 2002 for these offices were $385 723. Minimum future payments are as follows:

2003	$488 454
2004	488 454
2005	319 592
2006	319 592
2007	133 163
	$1 749 255

12. COMPARATIVE FIGURES

Certain 2001 figures were reclassified for consistency with the presentation adopted in 2002.

CONSEIL DES ARTS ET DES LETTRES DU QUÉBEC

MANAGEMENT'S REPORT

The financial statements of the Conseil des arts et des lettres du Québec were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Conseil recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The Board of Directors, through its audit committee, must oversee the way in which management performs its financial reporting duties, and has approved the financial statements.

The Auditor General of Québec has audited the Conseil's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the board of directors to discuss any matter related to the audit.

Marie-Claire Lévesque
President and Chief Executive Officer

Québec, May 30, 2002

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Conseil des arts et des lettres du Québec as at March 31, 2002, and the statements of revenue and expenditure, surplus and cash flow for the year then ended. I have also audited the balance sheets of the "Conseil régional de développement de la Mauricie (CDRM) – Fonds dédiés aux arts et aux lettres de la Mauricie" and "Québec – New York 2001" trust funds, which are administered by the Conseil, as at March 31, 2002, and the statements of changes in fund balance for the year then ended. The financial statements for these funds are disclosed in Note 9. These financial statements are the responsibility of the Conseil's management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Conseil's financial position and that of its trust funds as at March 31, 2002 and the results of their operations and cash flows for the year than ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, May 30, 2002

CORPORATION D'HÉBERGEMENT DU QUÉBEC
(R.S.Q., c.C-68.1)

CONSOLIDATED INCOME STATEMENT
for the year ended March 31, 2002
(in thousands of dollars)

	2002	2001
REVENUE		
Interest income	152 999	198 196
Rental income:		
- Health network (Note 3)	92 491	93 544
- Other – net (Note 4)	105	577
Administrative expenses related to mandated projects and their financing	1 739	1 450
Government of Canada subsidy (Note 5)	775	466
Gain on the disposal of real estate	167	36
Amortization of deferred contributions	14 426	14 170
Revenue from projects under study	252	2 684
Other	247	320
	263 201	311 443
EXPENDITURE		
Interest– net (Note 6)	208 749	255 247
Amortization (Note 7)	16 154	14 375
Overall and administrative expenditures (Note 8)	5 429	5 971
Reduction in value of immoveables		747
Cost related to projects under study but withdrawn	252	2 684
Client rebate	4 000	
	234 584	279 024
NET INCOME	28 617	32 419

CORPORATION D'HÉBERGEMENT DU QUÉBEC

CONSOLIDATED RETAINED EARNINGS
for the year ended March 31, 2002
(in thousands of dollars)

	2002	2001
OPENING BALANCE	25 736	(6 683)
Net income	28 617	32 419
CLOSING BALANCE *	54 353	25 736

* The amount freed up by the amortization of deferred contributions whose use must be pre-approved by the shareholders as indicated in Note 19 was $27.7 M at March 31, 2002 (2001: $13.8 M).

CONSOLIDATED CONTRIBUTED SURPLUS
for the year ended March 31, 2002
(in thousands of dollars)

	2002	2001
OPENING BALANCE	1 576	1 559
Surplus of fair value over cost of property acquired for a minimal consideration or nothing	331	17
CLOSING BALANCE	1 907	1 576

CORPORATION D'HÉBERGEMENT DU QUÉBEC

CONSOLIDATED BALANCE SHEET
as at March 31, 2002
(in thousands of dollars)

	2002	2001
ASSETS		
Short-term investments – at cost	796	735
Accounts receivable (Note 10)	67 097	12 720
Gouvernement du Québec subsidies receivable		998
Rental payments receivable (Note 11)	15 901	18 214
Loans (Note 12)	1 762 125	2 115 229
Claims receivable – mandated projects (Note 13)	366 649	442 665
Fixed assets (Note 14)	1 355 269	1 177 040
Preliminary studies	59 049	20 605
Other asset items (Note 15)	17 711	7 982
	3 644 597	3 796 188
LIABILITIES		
Outstanding cheques less cash on hand	11 247	3 482
Accounts payable and withholdings on contracts payable	58 505	35 181
Accrued interest (Note 16)	63 616	63 190
Short-term borrowings (Note 17)	1 185 128	1 443 683
Long-term debt (Note 18)	2 131 511	2 103 133
Deferred contributions (Note 19)	128 330	120 207
	3 578 337	3 768 876
SHAREHOLDER'S EQUITY		
Capital stocks (Note 20)	10 000	
Contributed surplus	1 907	1 576
Retained earnings	54 353	25 736
	66 260	27 312
	3 644 597	3 796 188

DERIVATIVE FINANCIAL INSTRUMENTS (Note 22)
COMMITMENTS AND CONTINGENCIES (Note 23)
SUBSEQUENT EVENT (Note 26)

On behalf of the Board of Directors,
Michel Salvas, President
Claude Desjardins, Vice-President

CORPORATION D'HÉBERGEMENT DU QUÉBEC

CONSOLIDATED CASH FLOWS
for the year ended March 31, 2002
(in thousands of dollars)

	2002	2001
CASH FOWS RELATED TO OPERATING ACTIVITIES		
Net income	28 617	32 419
Items not affecting cash and cash equivalents		
Gain on disposal of fixed assets	(167)	(36)
Reduction in value of immoveables		747
Interest on irregular coupon bonds	9 777	10 702
Interest income attributed to loan balances and mandated projects	(4 968)	(22 083)
Interest attributed to real properties and projects under study	(6 339)	(7 303)
Administrative expenses attributed to mandated projects	(1 309)	(1 199)
Administrative expenses attributed to real properties and projects under study	(2 709)	(1 335)
Client rebate	4 000	
Occupancy expenses attributed to projects under study	(235)	
Amortization		
Immoveables	16 305	14 633
Other asset items	664	403
Deferred contributions	(14 426)	(14 170)
Net change in assets and liabilities linked to operations		
Accounts receivable	(43 630)	(11 886)
Accrued Gouvernement du Québec subsidies receivable	998	300
Rental payments receivable	2 313	1 888
Accounts payable and withholdings on contracts payable	4 584	7 834
Accrued interest	426	(11 027)
	(6 099)	(113)
CASH FLOWS RELATED TO INVESMENT ACTIVITIES		
Receipts from loans	868 272	546 740
Loan disbursement	(509 558)	(391 631)
Receipts from accounts payable – mandated projects	163 904	225 500
Receivables disbursement –mandated projects	(109 859)	(112 044)
Cash inflow of Gouvernement du Québec receivables linked to the long-term debt	48 642	59 255
Disbursement of Gouvernement du Québec receivables linked to the long-term debt	(16 803)	(22 968)
Acquisition of immoveables	(134 996)	(63 817)
Proceeds from the disposal of furniture	15 856	429
Disbursements for projects under study	(56 553)	(26 959)
Acquisition of other assets	(8 382)	(5 750)
Proceeds from the sale of other assets	3	
	260 526	208 755
Amounts carried forward	254 427	208 642

CORPORATION D'HÉBERGEMENT DU QUÉBEC

CONSOLIDATED CASH FLOWS (cont'd)
for the year ended March 31, 2002
(in thousands of dollars)

	2002	2001
Amounts brought forward	254 427	208 642
CASH FLOWS RELATED TO FINANCING ACTIVITIES		
Short-term borrowings	7 398 358	7 246 174
Repayment of the short-term borrowings	(7 656 913)	(7 128 132)
Long-term borrowings	227 565	
Repayment of the long-term debt	(250 662)	(378 020)
Increase in deferred contributions	9 521	985
Capital-stock issue	10 000	
	(262 131)	(258 993)
DECREASE IN CASH AND CASH EQUIVALENTS	(7 704)	(50 351)
CASH AND CASH EQUIVALENT, BEGINNING OF YEAR	(2 747)	47 604
CASH AND CASH EQUIVALENT, END OF YEAR (Note 25)	(10 451)	(2 747)

NOTES TO FINANCIAL STATEMENTS
as a t March 31, 2002
(in thousands of dollars)

1. CONSTITUTION, PURPOSE AND ACTIVITIES

Until November 30, 1999, the Corporation d'hébergement du Québec (the Corporation) was a non-profit organization created under Part III of the Québec Companies Act. On December 1, 1999, the Corporation became a corporate entity with partnership capital, incorporated under the Act respecting the Corporation d'hébergement du Québec (R.S.Q., c. C-68.1).

The Corporation's mission is, for consideration and with a view to self-financing, to offer health and social services players technical and financial expertise as the funding required for the management, construction, maintenance and acquisition of immovables, equipment and health and social service infrastructures.

Its mission also includes owning, and renting out for consideration, property used or to be used by a health and social services establishment, regional board or regional council contemplated in the Act respecting health services and social services (R.S.Q., c. S-4.2) or the Act respecting health services and social services for Cree Native persons (R.S.Q., c. S-5) or any other person, corporation or association designated for this purpose by the Minister or the Government. The sections of the legislation allowing the Corporation to finance itself came into effect only on April 1, 2000.

2. MAIN ACCOUNTING POLICIES

The consolidated financial statements of the Corporation were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

CONSOLIDATION PERIMETER

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, the Société d'implantation du Centre hospitalier de l'Université de Montréal Inc. (SICHUM) and the Société d'implantation du Centre universitaire de santé McGill Inc. (SICUSM).

IMMOVEABLES

Operational buildings

The buildings purchased by the Corporation are recorded at cost or fair value when the consideration is minimal or nothing. The surplus of the fair value of property over its cost is recorded under the contributed surplus. The surplus of the fair value of buildings over their cost is recorded under deferred contributions.

The buildings are amortized according to the annuity method (growing allotment), at a rate of 5% for amortization periods ranging from 35 to 50 years.

Buildings under construction

The cost of buildings under construction includes, in addition to direct costs, a relevant fraction of the related overall and administrative expenditures and financing costs. Financing costs are capitalized to buildings under construction until they are transferred to operational buildings.

Buildings intended for sale

Buildings intended for sale are evaluated at the amortized cost or the net realizable value, whichever is less. The Corporation stops recording amortization as soon as it decides to sell.

Leased furniture and equipment

Leased furniture and equipment attributable to immoveables are recorded at cost. The amortization is calculated over the estimated service life using the straight-line method over a period of 10 years.

NOTES TO FINANCIAL STATEMENTS (cont'd)
as at March 31, 2002
(in thousands of dollars)

2. PRINCIPALES ACCOUNTING POLICIES (cont'd)

PROJECTS UNDER STUDY

In addition to direct costs, projects under study include administrative expenses and financing charges, which are recorded until study costs are transferred to construction or repair costs or until the costs of the studies is reimbursed by the Ministère de la Santé et des Services sociaux for projects that will not be implemented.

CAPITALIZED INTEREST

The portion of the interest expense attributable-to immoveables under construction is capitalized taking into account the weighted average interest rate for short-term borrowings.

OTHER ASSETS

Issuing expenses, discount charges and premiums related to the long-term debt

Discounts, premiums and issuing expenses linked to the long-term debt are recorded and amortized over the duration of the respective debt according to the straight-line method.

Deferred charges - conservation

Conservation expenses incurred on immoveables are recorded to deferred charges and amortized according to the straight-line method over 15 years once projects have been completed in their entirety. The amounts can be invoiced to lessees. The expenses are recovered over the same 15-year period.

Computer system development expenses

Computer system development expenses are recorded at cost and amortized according to the straight-line method over 5 years.

Furniture and equipment

The furniture and equipment used for administrative purposes is recorded at cost. The amortization is calculated over the estimated service life according to the straight-line method between 5 and 10 years.

Workplace layout

Workplace layout is amortized according to the straight-line method over 6 years.

LONG-TERM DEBT

The bonds issued with irregular coupons are recorded at face value, increased annually by capitalizing the interest charge at the effective rate, according to the compound interest method.

DEFERRED CONTRIBUTIONS

Deferred contributions comprise the excess of the fair value of buildings over their cost when the consideration is minimal or zero and of amounts received from organizations to fund construction projects. They are gradually transferred to results using the same amortization method as for the buildings in question.

Contributions for the acquisition of immoveables received in the form of subsidies are transferred to results using the same amortization as the immoveables they refer to.

NOTES TO FINANCIAL STATEMENTS (cont'd)
as at March 31, 2002
(in thousands of dollars)

2. MAIN ACCOUNTING POLICIES (cont'd)

DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation uses guaranteed interest rate contracts to manage the risks resulting from interest rate fluctuations. Since they are only used for coverage, the book values of these financial instruments are not adjusted according to their current market value. All amounts receivable or payable subsequent to forward rate agreements are recorded by adjusting interest payable on an accrual basis for the duration the debt is covered.

3. RENTAL INCOME – HEALTH NETWORK

The rental income comes from 15-year leases, signed as of April 1, 2000 with hospital centres (CH), local community service centres (CLSC), extended care hospital centres (CHSLD) and other health network organizations occupying the Corporation's buildings. This income is established annually based on the Corporation's rate-setting policy.

4. RENTAL INCOME – OTHERS – NET

	2002	2001
Rental income	3 417	3 147
Charges		
Operating expenses	1 927	1 570
Interest	481	474
Conservation work	801	260
Amortization of buildings	272	258
Amortization of workplace layout	66	8
	3 547	2 570
Less: amounts attributed to projects under study	235	
	3 312	2 570
	105	577

5. GOVERNMENT OF CANADA SUBSIDY

Under section 95 of the National Housing Act (R.S.C., c. N-11), the Corporation is eligible for financial assistance from the Government of Canada to help pay the cost of public housing projects. To date, 24 projects have been declared eligible.

NOTES TO FINANCIAL STATEMENTS (cont'd)
as at March 31, 2002
(in thousands of dollars)

6. FINANCIAL EXPENSES – NET

	2002	2001
Interest on long-term debt		
Bonds	34 627	50 569
Notes	117 978	122 817
Other debts	9 429	9 688
Amortization of discounts, premiums and issuing for long-tem debts	342	333
Other financial expenses	83	139
	162 459	183 546
Less:		
Interest income from an amortization Fund related to the Corporation's immoveables managed by the Ministère des Finances	2 528	2 306
	159 931	181 240
Interest on short-term borrowings		
Interest	55 189	81 638
Less:		
Interest posted to immoveables under construction owned by the Corporation and to projects under study	6 339	7 303
Interest income	32	328
	48 818	74 007
	208 749	255 247

The interest charges on borrowings contracted from related enterprises totalled $121.2 M (2001: $126.2 M) for long-term borrowings and $29.1 M (2001: $26.8 M) for short-term borrowings.

7. AMORTIZATION

	2002	2001
Real estate		
Buildings operating	13 701	12 463
Rented furniture and equipment	2 332	1 912
Other assets		
Deferred expenses - conservation	121	
	16 154	14 375

NOTES TO FINANCIAL STATEMENTS (cont'd)
as at March 31, 2002
(in thousands of dollars)

8. GENERAL AND ADMINISTRATIVE CHARGES

	2002	2001
Salaries and fringe benefits	5 509	4 260
Cost of offices occupied by the Corporation	544	525
Professional services	886	809
Mail, courier services, communications and marketing	144	148
Computers	251	180
Administrative and office expenses	258	184
Other charges	306	206
Amortization of furniture and equipment and computer system development expenses	135	62
Bank of vacation time and sick leave taken over in the transfer of employees and their fringe benefits from the Ministère de la Santé et des Services sociaux	105	932
	8 138	7 306
Less:		
Administrative expenses attributed to real property, projects under study and other assets	2 709	1 335
	5 429	5 971

9. CLIENT REBATE

Due to the surpluses posted in 2001-2002 due to the application of its rate-setting policy, the Corporation decided to issue its clients a rebate, in the form a reduction in the cost of 31 construction projects under way at March 31, 2002 entrusted to it by health network establishments.

10. ACCOUNTS RECEIVABLE

	2002	2001
Regional health and social services boards (*)	50 281	
Others	16 816	12 720
	67 097	12 720

* Due on March 31, 2002 under loan agreements.

11. RENT RECEIVABLE

At March 31, 2000, the Corporation posted a subsidy receivable from the Ministère de la Santé et des Services sociaux for interest accrued but not payable relayed to long-term borrowings recorded in its financial statements. Since the Corporation no longer receives a subsidy from the Ministère de la Santé et des Services sociaux, this amount was converted, with the Department's approval, to "Rent receivable". This rent receivable will be repaid to the Corporation by the establishments according to a predetermined schedule of payments.

NOTES TO FINANCIAL STATEMENTS (cont'd)
as at March 31, 2002
(in thousands of dollars)

12. LOANS

	2002	2001
Regional health and social services boards (*) (**)	1 452 994	1 952 458
Health network establishments (**)	309 131	162 771
	1 762 125	2 115 229

* The portion of these loans related to long-term debts represents $1 299.0 M (2001: $1 472.5 M). They may be cashed on September 30 and March 31 each year and are guaranteed by a real estate mortgage. The amounts received correspond to the capital and interest instalments payable on the long-term debt whose interest rates vary between 5.25% and 12.5% (2001: 4.75% and 12.50%) for maturity date between 2003 and 2023. At March 31, 2002, receivables of $154 M (2001: $480 M) concerned short-term financing.

** Short-term receivables are established on the basis of a rotating credit margin whose rate currently equals the prime rate minus 1%.

13. ACCOUNTS RECEIVABLE – MANDATED PROJECTS

Accounts receivable – mandated projects includes all direct costs plus administrative expenses and interest related to construction projects entrusted to the Corporation by the health network. These accounts receivable were repaid on project completion by cashing the financing contracted by the establishment.

14. REAL ESTATE

	2002			2001
	Cost	Accumulated depreciation	Net value	Net value
Buildings operating				
Land	55 686		55 686	51 324
Buildings	1 210 949	148 856	1 062 093	960 435
	1 266 635	148 856	1 117 779	1 011 759
Buildings under construction				
Land	24 886		24 886	6 129
Buildings	187 781		187 781	124 792
	212 667		212 667	130 921
Buildings slated for sale				
Land	1 189		1 189	4 471
Buildings	29		29	14 788
	1 218		1 218	19 259
Rented furniture and equipment	32 613	9 008	23 605	15 101
	1 513 133	157 864	1 355 269	1 177 040

NOTES TO FINANCIAL STATEMENTS (cont'd)
as at March 31, 2002
(in thousands of dollars)

14. REAL ESTATE (cont'd)

COSTS CAPITALIZED TO REAL ESTATE

During the year, the following costs were capitalized to real estate.

	2002	2001
Interest on short-term borrowings	4 912	6 153
General and administrative charges	1 807	681

15. OTHER ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net value	Net value
Issuing, discount and premium expenses linked to the long-term debt	5 294	1 500	3 794	2 301
Deferred expenses – conservation	11 052	121	10 931	4 211
Computer system development expenses	1 185	110	1 075	439
Furniture and equipment	848	130	718	582
Workplace layout	609	73	536	385
Deferred expenses – derivative financial instruments	657		657	64
	19 645	1 934	17 711	7 982

16. INTEREST ACCRUED

	2002	2001
Related parties	50 143	44 091
Others	13 473	19 099
	63 616	63 190

17. SHORT-TERM BORROWINGS

	2002	2001
Discount notes		
Related parties (2001: 5.72% and 5.79%)		24 485
Others, 2.03% to 4,63% (2001: 4.64% to 6.02%)	961 232	868 105
Notes at par value		
Financing Fund of the Gouvernement du Québec, 2.11% to 2.30% (2001: 4.58% to 5.76%)	217 896	551 093
Gouvernement du Québec, 2.10%	6 000	
	1 185 128	1 443 683

As at March 31, 2002, the Corporation had a credit margin of $10 M. It is renewable annually on September 30. The amounts used bear interest at the prime rate.

NOTES TO FINANCIAL STATEMENTS (cont'd)
as at March 31, 2002
(in thousands of dollars)

18. LONG-TERM DEBT

	2002	2001
Bonds		
- 5.10% to 6%, maturing from 2003 to 2006	69 810	106 380
- 6.15% to 10%, maturing from 2003 to 2005	67 704	67 704
- 10.10% to 12.50%, maturing from 2003 to 2019	95 877	195 462
- Interest-free for certain period and bearing interest for the remainder from 68% to 180% (effective rates of 10.46% to 11.94%), maturing between 2003 and 2015 including capitalizable interest	86 279	106 431
Borrowing on notes from the Financing Fund of the Gouvernement du Québec at variable rates:		
- 5.25% to 6.52%, maturing from 2003 to 2033	905 067	721 031
- 6.77% to 7.75%, maturing from 2003 to 2023	521 822	544 185
- 8.00% to 9.75%, maturing from 2003 to 2021	345 372	355 057
Borrowing on notes from Financement-Québec at variable rates:		
- 6.12% to 6.18%, maturing in 2004 and 2006	961	1 011
- 7.60% to 8.32%, maturing from 2003 to 2019	7 087	7 339
- 9.37% to 9.84%, maturing from 2004 to 2018	7 015	3 209
Borrowing from the Canada Mortgage and Housing Corporation at variable rates:		
- 5.88% to 6.25%, maturing in 2018 and 2019	887	918
- 8%, maturing from 2029 to 2033	57 151	57 648
Real estate mortgages from the Société d'habitation du Québec guaranteed by immoveables of a book value of $109.2 M at variable rates:		
- 6.87%, maturing from 2020 to 2023	16 055	15 804
- 7.5% to 7.87%, maturing from 2021 to 2029	5 061	5 500
- 8% maturing from 2028 to 2030	15 488	15 645
Balance of sales prices from the Commission de la santé et de la sécurité du travail, at 7.50%, maturing in 2007	5 886	6 828
Other real estates mortgages guaranteed by immoveables of a book value of $8.7 M, at variable rates:		
- 10.66% maturing in 2005	12 901	13 651
- 11.25% maturing in 2005	275	356
	2 220 698	2 224 159
Less: Gouvernement du Québec receivables linked to the long-term debt *	89 187	121 026
	2 131 511	2 103 133

NOTES TO FINANCIAL STATEMENTS (cont'd)
as at March 31, 2002
(in thousands of dollars)

18. LONG-TERM DEBT (cont'd)

* Under its statute, the Corporation deposits amounts slated for the repayment of a portion of its qualifying debts in the amortization fund for borrowings by Québec health and social service agencies managed by the Ministère des Finances.

Payments of principal on the long-term debt for the next five fiscal years are as follows:

	Finance-ment-Québec	Financing Fund of the Gouver-nement du Québec	Société d'habitation du Québec	Commission de la santé et de la sécurité du travail	Other non-related parties	Total instalments
2003	4 812	254 293	673	1 013	71 021	331 812
2004	6 457	358 008	723	1 089	25 097	391 374
2005	274	124 197	777	1 171	73 035	199 454
2006	2 481	223 219	834	1 259	22 071	249 864
2007	83	44 425	896	1 354	6 218	52 976

Movable hypothecs bind the departmental subsidy paid to health sector players in the Corporation's favour. The latter could henceforth be transferred to the Corporation's non-related creditors to guarantee their loans.

19. DEFERRED CONTRIBUTIONS

	2002			2001
	Cost	Accumulated depreciation	Net value	Net value
Deferred contributions	279 619	151 289	128 330	120 207

Of the net value of $128.3 M (2001: $120.2 M), $55.4 M (2001: $69.3 M) represents transfer subsidies paid by shareholders before April 1, 2000, as of which date the Corporation must finance its own activities. These contributions will be amortized over the next 4 fiscal years. Use of the amounts freed up by the amortization of these contributions, whose net value at April 1, 2000 was $83.1 M, must be pre-approved by the shareholders. During the fiscal year, organizations' contributions for financing construction projects totalled $22.5 M.

20. CAPITAL STOCKS

Corporation d'hébergement du Québec stocks are held by the Ministère des Finances.

	2002	2001
Authorized		
5 000 000 common shares of a face value of $100 each		
Issued and paid		
100 000 shares	10 000	

During the fiscal year, the Société issued 100 000 common shares for $10 M in cash.

21. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements and measured at exchange value, the Corporation is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Corporation did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

22. DERIVATIVE FINANCIAL INSTRUMENTS

To protect against interest-rate risks related to short-term financing activities, the Corporation signed interest rate capping agreements, all of which run for less than one year.

	2002		2001	
	Fair value	Contracted capital	Fair value	Contracted capital
Purchases	(306)	288 000	(79)	395 000

A short-term investment in the amount of $0.8 million (2001: $0.7 million) is pledged against certain agreements.

23. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

At March 31, 2002, the balance of uncompleted contracts signed by the Corporation targeted by contractual agreement totalled $65.8 M (2001: $52.4 M) for projects under way and $37.3 M for projects under study.

CONTINGENCIES

Insurance claim

A $35 M claim was sent to insurers for a fire at the Hôtel-Dieu de Roberval in December 1998. The insurer had paid $6.1 M of this amount at March 31, 2002. When the financial statements were being prepared the Corporation was not in a position to assess the additional amount that might possibly result from this claim.

Financing of deductibles on civil and professional liability insurance policies of institutions covered by the insurance plan of the Association des hôpitaux du Québec

Under section 472.1 of the Act respecting health services and social services (R.S.Q., c. S-4.2), the Corporation d'hébergement du Québec may be required to guarantee the discharge of any obligation of associations recognized by the MSSS under section 267 of the Act in relation to the management of the deductible under an insurance contract negotiated or entered into by the association on behalf of its members. It may also advance to the association any sum deemed necessary for the management of said deductible.

The Minister may, on the conditions determined by the Government, reimburse the Corporation d'hébergement du Québec any sum it may be required to pay in relation to this guarantee.

24. FUTURE FRINGE BENEFITS

Pension plans

The staff members of the Corporation participate in the Government and Public Employees Retirement Plan (RREGOP), the Pension Plan of Management Personnel (PPMP), the Civil Service Superannuation Plan (CSSP) or the Pension Plan for Senior Officials (PPSO) administered by a Gouvernement du Québec agency. These are interenterprise defined-benefit plans and include guaranteed payments upon retirement and death.

The liability of the Commission towards these Government plans is restricted to its contributions as an employer. The Corporation's contributions charged to the year-end statement amount to $0.1 M (2001: $0.1 M).

24. FUTURE FRINGE BENEFITS (cont'd)

Provision for sick leave and vacation time

	2002			2001
	Vacation time	Sick leave	Total	Total
Opening balance	416	690	1 106	
Amounts transferred *	6	99	105	932
Charge for the year	425	116	541	422
Subtotal	847	905	1 752	1 354
Less:				
Benefits paid during the year	299	13	312	248
Closing balance	548	892	1 440	1 106

* The amounts transferred represent vacation time and sick leave payable following the transfer of Gouvernement du Québec employees to the Corporation. The balance of this provision is included under accounts receivable and withheld on contracts payable.

25. CASH FLOWS

Cash and cash equivalents appearing in the cash flow statement include the following amounts recorded in the balance sheet:

	2002	2001
Short-term investments	796	735
Outstanding cheques less cash	(11 247)	(3 482)
Cash and cash equivalents	(10 451)	(2 747)

Interest paid during the fiscal year by the Corporation totalled $207.1 M$ (2001: $264.8 M).
Interest received during the fiscal year by the Corporation totalled $95.9 M (2001: $178.1 M).

During the fiscal year, real property was acquired for a total cost of $143.3 M (2001: $70.9 M). Of this amount, $8.0 M (2001: $6.9 M) was acquired by taking over mortgages and $0.3 M (2001: $0.4 M) by recording the surplus of the fair value of property acquired over their cost when consideration was minimal or nothing.

26. SUBSEQUENT EVENT

On April 10, 2002, the Government asked the Corporation to declare a dividend of $10.0 M at the request and in keeping with the terms and conditions set by the Minister of Finance. This dividend was paid on May 31, 2002.

27. COMPARATIVE FIGURES

Certain figures for the previous fiscal year were reclassified to comply with the presentation adopted for fiscal 2002.

CORPORATION D'HÉBERGEMENT DU QUÉBEC

MANAGEMENT'S RESPONSIBILITY RELATED TO PRESENTING FINANCIAL INFORMATION

The responsibility for the consolidated financial statements of the Corporation d'hébergement du Québec and all information contained therein, which has been approved by the board of directors, falls to management.

The consolidated financial statements were drawn up by management in keeping with the accounting principles generally recognized in Canada and, where applicable, contain amounts based on management's best estimates and judgements. The financial information contained in the rest of the annual activity report corresponds to the information provided in the financial statements.

The management of the Corporation and its subsidiary prepared and oversaw the maintenance of a system of internal accounting controls to ensure the integrity and objectivity of the data presented in the financial statements. Management feels that this system provides reasonable insurance that the financial information is reliable, that it constitutes a relevant basis for preparation of the financial statements and that the Corporation's assets are properly recorded and well protected.

The Corporation recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors carried out its responsibility for the financial statements mainly through the auditing committee, which is composed only of external administrators. The committee examines the Corporation's annual consolidated financial statements and recommends that the board approve them. The Corporation's auditor has unhindered, complete access to the auditing committee, whether in the presence of management or not.

The present financial statements were audited by the Corporation's auditor and the Auditor General, whose report appears below.

Michel Salvas
President and Chief Executive Officer

Sainte-Foy, June 17, 2002

CORPORATION D'HÉBERGEMENT DU QUÉBEC

AUDITOR'S REPORT

To the Québec Minister of Finance

I have audited the consolidated balance sheet of the Corporation d'hébergement du Québec as at March 31, 2002 and the consolidated statements of results, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of Corporation management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Société's financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, June 17, 2002

CORPORATION D'URGENCES-SANTÉ DE LA RÉGION DE MONTRÉAL MÉTROPOLITAIN
(R.S.Q., c. S-5)

REVENUE AND EXPENDITURE AND SURPLUS
for the year ended March 31, 2002

	2002	2001
REVENUE		
Subsidies (Note 3)	$47 137 627	$46 139 563
Ambulance services (Note 4)	27 706 669	26 723 690
Miscellaneous	357 065	713 437
	75 201 361	73 576 690
EXPENDITURE (Note 5)	75 810 195	71 252 398
EXCESS EXPENDITURE OVER REVENUE	(608 834)	2 324 292
SURPLUS, BEGINNING OF YEAR	2 660 031	335 739
SURPLUS, END OF YEAR	$2 051 197	$2 660 031

CORPORATION D'URGENCES-SANTÉ DE LA RÉGION DE MONTRÉAL MÉTROPOLITAIN

BALANCE SHEET
as at March 31, 2002

	2002	2001
ASSETS		
Current assets		
Cash on hand	$851 427	$2 309 480
Accounts receivable (Note 7)	6 848 227	9 309 176
Prepaid expenses	1 843 570	1 865 734
	9 543 224	13 484 390
Fixed assets (Note 8)	17 909 874	14 852 568
	$27 453 098	$28 336 958
LIABILITIES		
Current liabilities		
Owed to the Provincial Activities Fund	$640 686	$1 021 884
Accounts payable and accruals	12 587 225	13 952 682
Owed to the Ministère de la Santé et des Services sociaux		2 521 905
Deferred subsidies	37 379	15 000
Instalments on commitments under capital leases (Note 10)	4 058 376	2 713 033
	17 323 666	20 224 504
Commitments under capital leases (Note 10)	8 078 235	5 452 423
	25 401 901	25 676 927
SURPLUS	2 051 197	2 660 031
	$27 453 098	$28 336 958

COMMITMENTS (Note 13)
CONTINGENCY (Note 14)

On behalf of the Board of Directors,
André Ducharme
Michelle Major

CORPORATION D'URGENCES-SANTÉ DE LA RÉGION DE MONTRÉAL MÉTROPOLITAIN

CASH FLOWS
for the year ended March 31, 2002

	2002	2001
CASH FLOW ORIGINATING FROM (APPROPRIATED TO)		
OPERATING ACTIVITIES		
Excess revenue over expenditure	$(608 834)	$2 324 292
Non-cash items charged to operating results:		
Depreciation of fixed assets	5 289 894	3 724 397
(Gain) Loss on disposal of fixed assets	(350 370)	729 485
	4 330 690	6 778 174
Changes in assets and liabilities related to operations (*)	(1 763 068)	2 091 421
	2 567 622	8 869 595
FINANCING ACTIVITIES		
Reimbursement of the debt for capital lease contracts	(3 278 784)	(2 778 534)
INVESTMENT ACTIVITIES		
Acquisition of fixed assets	(1 107 513)	(7 585 106)
Proceeds from disposal of fixed assets	360 622	51 150
	(746 891)	(7 533 956)
DECREASE IN CASH ON HAND	(1 458 053)	(1 442 895)
CASH ON HAND, BEGINNING OF YEAR	2 309 480	3 752 375
CASH ON HAND, END OF YEAR	$851 427	$2 309 480
(*) CHANGES IN ASSETS AND LIABILITIES RELATED TO OPERATIONS		
Current assets, (increase) decrease		
Accounts receivable	$2 460 949	$(3 881 043)
Prepaid expenses	22 164	(133 586)
Current liabilities, increase (decrease)		
Owed to the Provincial Activities Fund	(381 198)	(295 181)
Accounts payable and accruals	(1 365 457)	3 864 326
Owed to the Ministère de la Santé et des Services sociaux	(2 521 905)	2 521 905
Deferred subsidies	22 379	15 000
	$(1 763 068)	$2 091 421

See Note 15: Additional cash flow information

CORPORATION D'URGENCES-SANTÉ DE LA RÉGION DE MONTRÉAL MÉTROPOLITAIN

PROVINCIAL ACTIVITIES FUND

CHANGES IN FUND BALANCE
for the year ended March 31, 2002

	2002	2001
OPENING BALANCE	$843 384	$1 317 065
Increase		
Gouvernement du Québec subsidy	695 821	615 821
Interest	33 560	80 848
	729 381	696 669
Decrease		
Expenses related to studying the cost of ambulance transportation	40 500	
Call prioritization system	82 930	79 727
Forms	5 749	
Training	240 356	
Purchase of individual protective clothing	376 530	139 781
Uniforms and test individual protective clothing	41 780	
Gouvernement du Québec recovery of subsidies	4 032	933 000
Revision of a Bureau de normalisation du Québec standard	10 000	1 780
Purchase of crests	34 254	16 062
Legal fees	15 948	
	852 079	1 170 350
CLOSING BALANCE	$720 686	$843 384

CORPORATION D'URGENCES-SANTÉ DE LA RÉGION DE MONTRÉAL MÉTROPOLITAIN

PROVINCIAL ACTIVITIES FUND

BALANCE SHEET
as at March 31, 2002

	2002	2001
ASSETS		
Amount receivable from the Ministère de la Santé et des Services Sociaux	$80 000	
Owed by the Corporation, bearing interest at prime rate less 2%, without repayment terms	640 686	$1 021 884
	$720 686	$1 021 884
LIABILITIES		
Amount owing to the Ministère de la Santé et des Services sociaux		$178 500
FUND BALANCE	$720 686	843 384
	$720 686	$1 021 884

On behalf of the Board of Directors,
André Ducharme
Michelle Major

CORPORATION D'URGENCES-SANTÉ DE LA RÉGION DE MONTRÉAL MÉTROPOLITAIN

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

The Corporation d'urgences-santé de la région de Montréal Métropolitain is a non-profit corporation established under the Act respecting health services and social services (R.S.Q., c. S-5). Its purpose, subject to the powers conferred on any regional board and any institution in the health and social services network, is to organize and coordinate, in its territory, a pre-hospitalization emergency system including the handling of emergency and non-emergency calls and ambulance services to facilitate access to health services.

Pursuant to a directive of the Ministère de la Santé et des Services sociaux, the balance of the General Fund is to be used exclusively for the purposes provided for under section 149.5 of the Act respecting health services and social services and cannot be committed without prior authorization from the Ministère.

Provincial Activities Fund

The Ministère de la Santé et des Services Sociaux (MSSS) mandated the Corporation to acquire safety equipment and uniforms for all emergency medical technicians in the Province of Québec. As trustee for the Provincial Activities Fund, the Corporation must ensure equipment distribution, exchanges and replacement. Subsidies granted by the Ministère to the Fund cover purchase costs for individual protective clothing, as well as related direct costs. At the Department's request, the Fund also assumes specific expenses related to all pre-hospitalization services.

Operations under these mandates are accounted for separately from the Corporation's operations.

2. ACCOUNTING POLICIES

The financial statements of the Corporation were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Fixed assets

Fixed assets are recorded at cost and depreciated on a straight-line basis over the following estimated service lives:

Data processing equipment	3 to 5 years
Furniture and equipment	5 years
Safety equipment	5 years
Leasehold improvements	According to the term of the lease
Automotive equipment	From 36 months to 60 months
Computer-aided dispatch system	5 years

Pension plans

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the Corporation lacks sufficient information to apply the accounting procedure for defined-benefit plans.

3. REVENUE – SUBSIDIES

	2002	2001
Ministère de la Santé et des Services sociaux - operating subsidy	$29 593 074	$29 022 927
Société de l'assurance automobile du Québec	17 544 553	17 116 636
	$47 137 627	$46 139 563

4. REVENUE – AMBULANCE SERVICES

	2002	2001
Health and social services institutions	$9 517 154	$9 275 169
Ministère de la Santé et des Services sociaux - subsidy for institutions	5 621 893	5 428 971
	15 139 047	14 704 140
Société de l'assurance automobile du Québec	1 138 083	1 176 347
Ministère de l'Emploi et de la Solidarité sociale	4 488 075	4 237 114
Individuals	6 614 758	6 297 409
Other	326 706	308 680
	$27 706 669	$26 723 690

5. EXPENDITURE BY RESPONSIBILITY CENTRE

	Training	General administration	Data processing	Emergency pre-hospitalization services
Salaries and wages	$714 476	$2 790 871	$1 707 442	$27 243 791
Fringe benefits [1]	739 405	1 000 675	152 465	6 486 622
Payroll taxes [2]	317 000	607 077	111 306	6 497 783
Medical supplies and medication	48 653	2 093		1 664 121
Travelling expenses	11 690	109 821	2 209	58 187
Services purchased (Note 6)	327 637	1 135 696	709 018	573 137
Communications		220 686	811	147 227
Building rental		1 757	1 639	1 316 930
Equipment rental				5 020
Capital leases:				
Interest on bonds	10 854	3 848	59 461	237 359
Depreciation of fixed assets		82 080	728 288	3 143 832
Loss (Gain) on disposal of fixed assets		(350)	112	(350 132)
Uniform purchases and rental	4 054	2 819		760 109
Automotive equipment expenses	3 906	3 266	2 854	2 888 467
Office supplies	5 982	109 882	45 339	136 778
Doubtful accounts and collection charges		2 099		1 632 837
Doubtful accounts recovered		(20 000)		(42 622)
Insurance		87 996		
Interest and bank charges	32	15 062	6 770	13 901
Other	35 740	328 641	22 981	81 360
	$2 219 429	$6 484 019	$3 550 695	$52 494 707

Communications	Quality control and medical inspection	Physicians' vehicles	Operation of facilities	Total 2002	Total 2001
$2 953 386	$374 040	$254 604		$36 038 610	$33 986 426
899 388	84 321	88 735		9 451 611	8 158 193
541 936	64 384	89 743		8 229 229	6 994 340
		42 614		1 757 481	1 732 573
1 437	4 083	135		187 562	132 572
1 252 280	3 483	59 167	$130 628	4 191 046	3 939 115
757 106	359	5 254		1 131 443	1 077 479
	7 633	14 160	1 350 639	2 692 758	2 997 267
403 890				408 910	397 219
217 526		5 176	3 661	537 885	466 436
1 212 716		54 721	68 257	5 289 894	3 724 397
				(350 370)	729 485
1 368	2 383	10 683		781 416	415 533
	710	31 398		2 930 601	4 168 004
19 172	6 100	477		323 730	344 467
				1 634 936	1 539 835
				(62 622)	(43 982)
				87 996	84 367
783	48	14	490	37 100	11 444
32 303	4 488	42	5 424	510 979	397 228
$8 293 291	$552 032	$656 923	$1 559 099	$75 810 195	$71 252 398

5. EXPENDITURE BY RESPONSIBILITY CENTRE (cont'd)

(1) Leave benefits under the collective agreement, including annual holidays, statutory holidays, sick leave and severance pay.

(2) Financial charges related to the employer contribution under social legislation and contract obligations.

6. SERVICES PURCHASED

	2002	2001
Electronic data processing	$102 785	$101 364
Laundry	144 512	139 145
Maintenance and repairs – premises and equipment	609 345	632 099
Building security		148 010
Maintenance and repairs – computer-aided dispatch system	1 169 673	1 110 253
Computer software updates	561 252	523 189
Training	294 012	286 097
Professional fees	912 017	745 424
Business project	357 160	132 737
Prehospital research project		98 000
Other	40 290	22 797
	$4 191 046	$3 939 115

7. ACCOUNTS RECEIVABLE

	2002	2001
Ambulance Service Beneficiaries		
Health and social services institutions	$2 257 162	$1 883 262
Société de l'assurance automobile du Québec	104 182	80 190
Ministère de l'Emploi et de la Solidarité sociale	326 195	300 987
Individuals	2 596 406	2 846 801
Other	43 007	28 357
	5 326 952	5 139 597
Ministère de la Santé et des Services sociaux - subsidies	1 905 735	
Société de l'assurance automobile du Québec - subsidies		4 279 159
Québec sales tax receivable	264 066	557 789
Other	835 549	1 099 240
	8 332 302	11 075 785
Allowance for doubtful accounts		
Individuals	(1 484 075)	(1 766 609)
	$6 848 227	$9 309 176

8. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net	Net
Data processing equipment	$2 603 989	$862 550	$1 741 439	$1 826 677
Furniture and equipment	5 427 582	3 408 365	2 019 217	2 096 123
Software being implemented				209 698
Automotive equipment	5 338 410	2 265 512	3 072 898	3 187 026
Rolling stock being manufactured				326 357
Safety equipment	143 064	143 064		
Leasehold improvements	373 076	333 835	39 241	92 715
Computer-aided dispatch system	294 403	191 362	103 041	161 922
	14 180 524	7 204 688	6 975 836	7 900 518
Fixed assets held under capital leases				
Automotive equipment	8 649 308	1 629 560	7 019 748	3 084 516
Equipment	2 817 255	888 960	1 928 295	746 684
Computer-aided dispatch system	5 674 272	3 688 277	1 985 995	3 120 850
	17 140 835	6 206 797	10 934 038	6 952 050
	$31 321 359	$13 411 485	$17 909 874	$14 852 568

9. AUTHORIZED CREDIT LINE

The Ministère de la Santé et des Services sociaux authorizes the Corporation to borrow in keeping with its financing needs. As at March 31, 2002, the autorization totalled $7 396 000 (2001: none). Any Corporation borrowing contracted with its financial institution in the form of a credit line bearing interest at the prime rate.

10. COMMITMENTS UNDER CAPITAL LEASES

	2002	2001
Commitments under capital leases:		
- rates varying from 3.53% to 12.58%, maturing until 2007	$12 136 611	$8 165 456
Instalments due within one year	4 058 376	2 713 033
	$8 078 235	$5 452 423

The minimum payments required on commitments under capital leases are as follows:

2003	$4 619 328
2004	4 007 908
2005	2 765 541
2006	1 802 172
2007	46 539
Total minimum payments required	13 241 488
Amount of interest included in total minimum payments required	1 104 877
	$12 136 611

11. FUTURE FRINGE BENEFITS

Pensions plans

With the exception of emergency medical technicians, the staff members of the Corporation participate in the Government and Public Employees Retirement Plan (RREGOP) or the Pension Plan of Management Personnel (PPMP). These are interenterprise defined-benefit plans and include guaranteed payments upon retirement and death. The Corporation's contributions charged to the year-end statement amount to $309 668 (2001: $175 123).

The Corporation's emergency medical technicians participate in the supplemental pension plan for ambulance technicians in Québec (RRTAQ). This is a defined-contribution plan and does not provide vested benefits for past service. The Corporation's contributions charged to the year-end statement amount to $1 270 724 (2001: $1 198 069).

The liability of the Corporation towards these plans is restricted to its contributions as an employer.

Provisions for vacation time, holidays and sick leave

	Vacation time and holidays	Sick leave	Total 2002	Total 2001
Opening balance	$4 740 918	$(55 401)	$4 685 517	$4 417 141
Charges for the year	7 433 801	1 427 054	8 860 855	8 191 555
Benefits paid during the year	(6 789 737)	(1 381 597)	(8 171 334)	(7 923 179)
Closing balance	$5 384 982	$(9 944)	$5 375 038	$4 685 517

12. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements and recorded at exchange value, the Corporation is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Corporation did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

13. COMMITMENTS

The Corporation is committed to long-term contracts for office space and equipment and equipment maintenance expiring on various dates up to March 2012.

Payments for the year ended March 31, 2002, amount to $4 294 418 (2001: $4 288 410). The minimum payments for the coming fiscal years are as follows:

2003	$4 299 652
2004	3 315 557
2005	2 625 059
2006	1 362 460
2007	1 021 693
2008 ad thereafter	3 774 509
	$16 398 930

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

13. COMMITMENTS (cont'd)

The Corporation also committed to acquiring five vehicles other than ambulances for a total of $185 765.

Provincial Activities Fund

The Corporation is committed under a contract expiring in 2003 for the implementation of a call priority system to be used in the province of Québec. The amount payable the next fiscal year is $51 580 US (at March 31, 2002, the equivalent in Canadian currency was $82 193).

14. CONTINGENCY

In April 1992, a former ambulance owner in the Montréal area filed a claim for $3 330 772 with the Québec Superior Court. The Corporation, the Conseil de la santé et des services sociaux de la région de Montréal Métropolitain (CSSSRMM) and its director general, along with the Attorney General of Québec, are the defendants in this dispute concerning contractual arrangements binding the CSSSRMM and the ambulance owner according to a contract which expired March 31, 1988. The case went before the court in February 1999. In its ruling of January 2000, the Québec Superior Court dismissed the suit against all defendants. The decision was appealed.

In the opinion of the Corporation's management and its legal counsel, this claim is unfounded and should not result in any major liability.

15. ADDITIONAL CASH FLOW INFORMATION

	2002	2001
Interest paid	$573 000	$471 738
Interest earned	115 329	415 554

During the fiscal year, immovables were acquired for a total cost of $8 357 452 (2001: $10 736 691), including those acquired through capital lease contracts for $7 249 939 (2001: $3 151 585). A sum of $1 107 513 (2001: $7 585 106) in cash was paid for the purchase of immovables.

16. COMPARATIVE FIGURES

Certain 2001 figures were reclassified for consistency with the presentation adopted in 2002.

CORPORATION D'URGENCES-SANTÉ DE LA RÉGION DE MONTRÉAL MÉTROPOLITAIN

MANAGEMENT'S REPORT

The financial statements of the Corporation d'urgences-santé de la région de Montréal Métropolitain were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Corporation recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The Board of Directors oversees the way in which management performs its financial reporting duties and has approved the financial statements. It is assisted by the audit committee, whose members are not part of management. The audit committee meets with management and the auditor, reviews the financial statements and recommends their approval to the Board of Directors.

The Auditor General of Québec has audited the Corporation's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the audit committee to discuss any matter related to the audit.

André Giroux
President and Chief Executive Officer

Pierre Vanier
Director, Finance

Montréal, June 6, 2002

CORPORATION D'URGENCES-SANTÉ DE LA RÉGION DE MONTRÉAL MÉTROPOLITAIN

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Corporation d'urgences-santé de la région de Montréal Métropolitain as at March 31, 2002 and the statements of revenue and expenditure, surplus and cash flows for the year then ended. I have also audited the balance sheet of the Provincial Activities Fund, which is administered by the Corporation, as at March 31, 2002, and the statement of changes in fund balance for the year then ended. These financial statements are the responsibility of Corporation management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation and the Provincial Activities Fund as at March 31, 2002 and the results of the operations and cash flows of the Corporation for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, June 6, 2002

PUBLIC CURATOR (THE)
(R.S.Q., c. C-81)
FUNDS UNDER JOINT ADMINISTRATION

NET INVESTMENT INCOME
for the year ended March 31, 2002

	Cash Fund		Revenue Fund	
	2002	2001	2002	2001
REVENUE				
Interest on bonds and short-term investments	$3 607 035	$5 117 285	$1 966 406	$1 941 626
Dividends				
Gains (losses) on disposal of investments			254 268	(33 889)
	3 607 035	5 117 285	2 220 674	1 907 737
EXPENDITURE				
Administration fees – Consolidated Revenue Fund	673 222	665 197	690 581	652 065
Fund management fees	47 358	1 878		(1 960)
Tax on administration fees and other expenditure	104 417	105 220	103 760	97 973
Daycare expenses and other services	58 865	43 738	50 395	58 216
	883 862	816 033	844 736	806 294
Net revenue from investments	$2 723 173	$4 301 252	$1 375 938	$1 101 443
BREAKDOWN OF NET REVENUE FROM INVESTMENTS				
Accounts under administration				
Curatorships and tutorships	$1 074 787	$1 913 437	$1 366 802	$1 084 450
Unclaimed successions and other jurisdictions	1 595 997	2 319 509	9 136	16 993
Minister of Finance	52 389	68 306		
	$2 723 173	$4 301 252	$1 375 938	$1 101 443

Diversified Fund		Registered Retirement Plan Fund		Total	
2002	2001	2002	2001	2002	2001
$3 233 726	$3 265 830	$192 071	$41 948	$8 999 238	$10 366 689
379 428	329 654			379 428	329 654
1683 463	6 342 713	13 253		1 950 984	6 308 824
5 296 617	9 938 197	205 324	41 948	11 329 650	17 005 167
1 610 115	1 651 379	5 744		2 979 662	2 968 641
	(5 298)	51 118		98 476	(5 380)
241 920	248 120			450 097	451 313
93 939	81 887	1 058	669	204 257	184 510
1 945 974	1 976 088	57 920	669	3 732 492	3 599 084
$3 350 643	$7 962 109	$147 404	$41 279	$7 597 158	$13 406 083
$3 339 145	$7 928 130			$5 780 734	$10 926 017
11 498	33 979	$147 404	$41 279	1 764 035	2 411 760
				52 389	68 306
$3 350 643	$7 962 109	$147 404	$41 279	$7 597 158	$13 406 083

PUBLIC CURATOR (THE)

FUNDS UNDER JOINT ADMINISTRATION

CHANGES IN ACCOUNTS UNDER ADMINISTRATION
for the year ended March 31, 2002

	Curatorships and tutorships		Unclaimed successions and other jurisdictions		State-owned property	
	2002	2001	2002	2001	2002	2001
OPENING BALANCE	$151 386 181	$158 335 941	$60 506 224	$36 932 665	$820 146	$775 454
Net investment income	5 780 734	10 926 017	1 731 634	2 322 166	32 401	89 594
Change in unrealized gains (losses) (Note 4)	(719 736)	(3 824 634)	(48 997)	11 023		
	156 447 179	165 437 324	62 188 861	39 265 854	852 547	865 048
RECEIPTS						
Employment assistance collected by the Public Curator	37 238 376	15 727 020	1 509	47		
collected by agents	10 493 658	22 032 871				
Old age pension	36 581 112	36 231 662	42 945	85 969		
Other pensions	10 615 176	8 566 576	58 362	213 075		
Régie des rentes	9 191 037	9 045 312	28 785	80 258		
Investments	5 598 463	3 943 950	791 781	251 211		
Tax credits	5 369 980	5 345 980	888 230	267 998		
Bank accounts	4 895 119	5 897 107	2 871 507	5 048 535		
Sales of property	3 233 526	1 488 762	2 682 099	4 009 799	86 053	80 965
Reimbursement of beneficiaries' funds	2 858 723	2 645 946	74 023	71 209		
Inheritance	1 154 570	1 582 884	86 304	73 857		
Rent	901 699	795 268	115 125	89 439		
Société de l'assurance automobile du Québec	410 796	332 200	19 387	18 420		
Encashment of accounts receivable	382 735	808 770	1 626 301	2 024 866		
Insurance	358 378	257 775	165 735	143 450		
Compensation for financial losses	13 372	69 822	10 454	142 457		
Financial proceeds			9 493 280	9 365 560		
Registered retirement plans			185 241	4 489 264		
Other receipts	1 333 717	1 068 031	1 034 702	1 074 211	73 454	88 478
	130 630 437	115 839 936	20 175 770	27 449 625	159 507	169 443
Amounts carried forward	$287 077 616	$281 277 260	$82 364 631	$66 715 479	$1 012 054	$1 034 491

PUBLIC CURATOR (THE)

FUNDS UNDER JOINT ADMINISTRATION

CHANGES IN ACCOUNTS UNDER ADMINISTRATION
for the year ended March 31, 20

	Curatorships and tutorships		Unclaimed successions and other jurisdictions		State-owned property	
	2002	2001	2002	2001	2002	2001
Amounts brought forward	$287 077 616	$281 277 260	$82 364 631	$66 715 479	$1 012 054	$1 034 491
Lodging and petty expenses paid by the Public Curator	86 738 336	69 604 430	751	182		
paid by agents	10 493 658	22 032 871				
Income	2 534 586	1 899 137	314 067	372 024		
Medical expenses	1 959 392	1 200 758				
Debt payment	1 797 572	1 964 264	1 067 928	584 997		
Purchase of goods	991 774	729 292				
Fees	968 433	1 053 750	77 988	24 519	1 355	(720)
Public services	656 011	615 804	8 988	30 874		
Legal costs	556 522	566 578	119 544	200 156		
Property and other taxes	466 609	500 910	230 274	114 784		
Maintenance and repairs - buildings	458 090	524 763	56 510	53 620		
Insurance premiums	336 987	298 861	99 692	90 513		
Prior arrangements for funeral services	153 676	115 627				
Other disbursements	3 308 474	2 723 864	2 380 491	3 254 590	51 271	43 199
	111 420 120	103 830 909	4 356 233	4 726 259	52 626	42 479
Remittance property to successors in interest	17 684 908	21 643 770	7 491 775	3 153 504	2 292	620
Transfer – unclaimed curatorship and tutorship accounts (Note 5)	1 914 373	4 512 813	(1 914 373)	(4 512 813)		
Transfer of amounts from the liquidation of property under Accounts payable to the Minister of Finance (Note 6)	100 671	14 082	26 180 520	3 522 235	150 577	171 246
Transfer from Accounts payable to the Minister of Finance (Note 6)	(40 185)	(110 495)	(892 351)	(679 930)		
	19 659 767	26 060 170	30 865 571	1 482 996	152 869	171 866
CLOSING BALANCE	$155 997 729	$151 386 181	$47 142 827	$60 506 224	$806 559	$820 146

PUBLIC CURATOR (THE)

FUNDS UNDER JOINT ADMINISTRATION

BALANCE SHEET
as at March 31, 2002

	Cash Fund		Revenue Fund	
	2002	2001	2002	2001
ASSETS				
Cash on hand	$11 286 365	$5 746 535	$717 633	$323 957
Short-term investments (Note 8)	79 448 896	91 782 055		
Interest accrued on bonds and short-term investments and dividends receivable	237 909	1 023 497	621 520	648 328
Bonds			33 724 856	33 173 477
Shares				
Mortgage certificates				
Receivable from the Revenue Fund, without interest or terms of repayment	185 972	124 659		
Receivable from the Diversified Fund, without interest or terms of repayment	183 249	181 039		
	$91 342 391	$98 857 785	$35 064 009	$34 145 762
LIABILITIES				
Accounts payable	$113 335	$124 326	$4 676	$3 391
Owing the Consolidated Revenue Fund, without interest or term of repayment	598 016	2 627 371		
Owing the Cash Fund, without interest or terms of repayment			185 972	124 659
Owing the Diversified Fund, without interest or terms of repayment				85 105
Accounts payable to the Minister of Finance (Note 6)	8 441 486	2 284 513		
	9 152 837	5 036 210	190 648	213 155
Accounts under administration				
Curatorships and tutorships	38 600 970	38 029 238	34 873 361	33 475 160
Unclaimed successions and other jurisdictions	42 782 025	54 972 191		457 447
State-owned property (Note 7)	806 559	820 146		
	82 189 554	93 821 575	34 873 361	33 932 607
	$91 342 391	$98 857 785	$35 064 009	$34 145 762

CONTINGENCIES (Note 11)

Accepted and approved,
Nicole Malo
Public Curator

Diversified Fund		Registered Retirement Plan Fund		Total	
2002	2001	2002	2001	2002	2001
$1 048 922	$3 211 687	$22 661	$503 930	$13 075 581	$9 786 109
		1 223 656	74 837	80 672 552	91 856 892
1 079 845	1 003 279	50 178	90 539	1 989 452	2 765 643
50 133 318	53 619 101	3 043 171	3 875 292	86 901 345	90 667 870
29 084 730	24 808 826			29 084 730	24 808 826
1 455 853				1 455 853	
	85 105			185 972	209 764
$82 802 668	$82 727 998	$4 339 666	$4 544 598	$213 548 734	$220 276 143
$69 093	$2 133 188	$5 792		$192 896	$2 260 905
				598 016	2 627 371
183 249	181 039			369 221	305 698
					85 105
				8 441 486	2 284 513
252 342	2 314 227	5 792		9 601 619	7 563 592
82 523 398	79 881 783			155 997 729	151 386 181
26 928	531 988	4 333 874	$4 544 598	47 142 827	60 506 224
				806 559	820 146
82 550 326	80 413 771	4 333 874	4 544 598	203 947 115	212 712 551
$82 802 668	$82 727 998	$4 339 666	$4 544 598	$213 548 734	$220 276 143

PUBLIC CURATOR (THE)

NON-TRANSFERABLE FUND

BALANCE SHEET
as at March 31, 2002

	Tutorships and curatorships	Unclaimed successions and other jurisdictions	Total	
	2002	2002	2002	2001
ASSETS				
Immoveables	$20 791 102	$9 068 008	$29 859 110	$30 712 638
Cash on hand and term deposit (Note 3)	14 010 794	786 964	14 797 758	8 861 824
Shares and various investments	9 697 560	3 298 868	12 996 428	11 161 192
Bonds	3 484 892	1 024 994	4 509 886	3 293 712
REER, REA, FERR	5 709 460	213 527	5 922 987	4 867 633
Life insurance policy buy-back value	2 265 838		2 265 838	2 358 510
Bills and other receivables (Note 9)	976 366	1 371 438	2 347 804	1 053 437
Valuable objects and property in storage (Note 9)	665 952	44 795	710 747	662 904
Motor vehicles	374 716	16 065	390 781	322 285
Mortgage loans (Note 9)	225 200	58 000	283 200	147 359
Other assets (Note 9)	2 102 044	28 001	2 130 045	1 772 481
	$60 303 924	$15 910 660	$76 214 584	$65 213 975
LIABILITIES (Note 9)				
Accounts payable	$8 112 682	$36 671 927	$44 784 609	$22 606 183
Mortgage payable	1 281 571	3 818 421	5 099 992	6 284 459
Deposits on offers to purchase	52 866	44 738	97 604	95 658
	9 447 119	40 535 086	49 982 205	28 986 300
EQUITY (DEFICIT)	50 856 805	(24 624 426)	26 232 379	36 227 675
	$60 303 924	$15 910 660	$76 214 584	$65 213 975

CONTINGENCIES (Note 11)

Accepted and approved,
Nicole Malo
Public Curator

PUBLIC CURATOR (THE)

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND NATURE OF ACTIVITIES

The Public Curator is a person appointed by the Government under the Public Curator Act (R.S.Q., c. C-81).

The Public Curator's main duties are:

- to represent persons of full age considered not competent to varying degrees, in order to ensure their moral and physical well-being and to protect their rights;

- to monitor, inform and assist in their administration private curators and tutors appointed to represent persons of full age who are not competent; to fulfil the same duties toward tutors for minors and occasionally assume that tutorship role for the property of minors;

- to assume the administration of certain unclaimed successions, the provisional administration of property without an owner, property belonging to persons unknown or untraceable, property abandoned either by dissolved legal persons or by the administrators of the property of others and, finally, property unclaimed by their lawful owners within the appropriate time.

The Public Curator receives fees for administering the property entrusted to it, monitoring private curatorships and tutorships, managing portfolios under joint administration and other duties conferred by the legislation.

2. ACCOUNTING POLICIES

The financial statements of the General Fund of the Public Curator were prepared on an accrual basis in accordance with the accounting policies disclosed below. These statements include amounts based on best estimates and judgements. The cash flow statement is not shown as it would not provide any useful supplementary information regarding the Fund's cash flow during the year.

Fund accounting

The Public Curator uses funds under joint administration and a non-transferable fund to present operations related to representing people and administering property. The non-transferable fund presents the amount of assets and liabilities other than the cash or cash equivalents it manages collectively, the latter being incorporated into funds under joint administration instead. The cash and cash equivalents of funds under joint administration are divided among four funds: a cash fund, a revenue fund, a diversified fund and a registered pension plan fund.

Funds under joint administration

Investments are recorded at fair value, established as follows:

- Money market securities are recorded at cost which, when accrued interest is added, approaches their fair value;

- Bonds are assessed according to the rates obtained from recognized stockbrokers;

- Securities listed on the stock market are assessed at market cost, i.e. the selling price at closing time of a certified stock market where the corresponding security is traded most;

- The cost is determined using the average cost method. The difference between the fair value and the acquisition cost of investments is recorded as an unrealized gain (loss) on investments.

The receipts, disbursement and restitution of property presented in the statement of change in the accounts administered are recorded on a cash basis, except for the fees paid to the Consolidated Revenue Fund.

The net investment revenue of the Cash Fund, after deduction of amounts payable to the Minister of Finance, is credited monthly to tutorship and curatorship accounts, unclaimed estates and other jurisdictions, and state-owned property. Net revenue from the Revenue Fund is paid monthly in the Cash Fund on behalf of each holder of shares. The net revenues of the Diversified Fund are reinvested monthly on behalf of each holder of shares into this fund.

2. ACCOUNTING POLICIES (cont'd)

Funds under joint administration (cont'd)

Unclaimed, payable accounts from debtors or holders of a pension plan contract or scheme, apart from the benefits contemplated by the Act respecting the Québec Pension Plan, must be filed with the Public Curator. Consequently, in June 2000, the Public Curator created a Registered Pension Plan Fund and designated a trust to act as trustee. The latter is responsible for collecting the above-mentioned sums when they are equal to or greater than $1000.

Non-transferable fund

Assets and liabilities administered for others, apart from those in the funds under joint administration, are recorded at the time the Public Curator's jurisdiction is established and as the existence of such property becomes known. Receipts and disbursements are recorded to the statement of change in the accounts administered at the time of encashment or outpayment.

The various assets are valued as follows:

Immoveables
- Fixed assets, at standardized property assessment value.

Cash on hand and term deposits
- Cash, cash amounts of beneficiaries held on behalf of persons represented under curatorship or tutorship in health and social services establishments and term deposits at acquisition cost.

Various shares and investments
- Various shares and investments, the selling price at closing time of a certified stock market where the corresponding security is traded most; mutual funds, at liquidating value.

Bonds
- Bonds are assessed according to the rate obtained by recognized stockbrokers, apart from Canada and Québec savings bonds, which are assessed at face value.

Life insurance policy surrender value
- The surrender value of life insurance policies, including dividends receivable, is assessed at net realizable value minus borrowings, at the beginning of jurisdiction. Subsequently, this value takes into account encashment of dividend and repayment of borrowings at the beginning of jurisdiction.

Valuable objects and stored goods
- Valuable objects and stored goods are assessed at their realizable value at the beginning of jurisdiction.

Bills and other accounts receivable, automobiles, mortgage loans and other assets
- Bills and other accounts receivable, automobiles, mortgage loans and other assets, at net realizable value.

RRSPs, Stock Savings Plans, RRIFs
- RRSPs, Stock Savings Plans and RRIFs are assessed at fair value in the same manner as non-RRSP assets (stocks, various investments, bonds, mutual funds) mentioned above, apart from term deposits, which are assessed at acquisition cost including the related interest.

Where applicable, when the value of various assets cannot be determined reasonably, it is recorded as $1.

No latent income tax resulting from these assets is recorded to diminish the value of the above-mentioned assets.

PUBLIC CURATOR (THE)

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

3. CHANGES IN ACCOUNTING POLICIES – NON-TRANSFERABLE FUND

Beginning this fiscal year, the Public Curator has included, in its balance statement, cash amounts of beneficiaries held on behalf of persons represented under curatorship or tutorship in health and social services establishments. Previously, these amounts were not disclosed.

This change, applied prospectively, increases the cash, term deposits and equity by $3 232 620.

4. UNREALIZED GAINS (LOSSES) – FUNDS UNDER JOINT ADMINISTRATION

	Revenue Fund		Diversified Fund		Registered Retirement Plan Funds	
	2002	2001	2002	2001	2002	2001
Unrealized gains (losses) on investments at the beginning of the fiscal year	$455 327	$(695 422)	$877 928	$5 856 805	$14 517	
Unrealized gains (losses) on investments resulting from fluctuations in the fair value during the fiscal year	(285 398)	1 150 749	(437 735)	(4 978 877)	(45 600)	$14 517
Cumulated unrealized gains (losses) on investments at fiscal year-end	$169 929	$455 327	$440 193	$877 928	$(31 083)	$14 517
Cost of bonds	$33 554 927	$32 718 150	$50 541 627	$53 393 746	$3 074 253	$3 860 776
Cost of shares			28 203 375	24 156 253		
Cost of mortgage certificates			1 488 705			

5. UNCLAIMED CURATORSHIP AND TUTORSHIP ACCOUNTS – FUNDS UNDER JOINT ADMINISTRATION

The balances of the files of deceased persons who were represented are transferred to unclaimed estates six months after their death when there are no heirs.

6. ACCOUNTS PAYABLE TO THE MINISTER OF FINANCE – FUNDS UNDER JOINT ADMINISTRATION

In the absence of an administrative beneficiary, and in all cases where property is administered on behalf of the State, the amounts generated by the liquidation of goods must be remitted to the Minister of Finance. These amounts are presented as accounts payable to the Minister of Finance until they have been remitted by the Public Curator.

When beneficiaries are entitled to recover the amounts remitted to the Minister of Finance, the amounts to be remitted plus interest as stipulated in the Act are recorded as a reduction in the accounts payable to the Minister of Finance.

7. PROPERTY BELONGING TO THE STATE – FUNDS UNDER JOINT ADMINISTRATION

Property belonging to the State include property entrusted to the Public Curator's provisional administration and devolved to the State before July 1, 1999 as well as property that has come to belong to the State through definitive confiscation. The amounts managed under joint administration in files administered for the State are presented in the statement of funds under joint administration. After administration, they are remitted to the Minister of Finance.

8. SHORT-TERM INVESTMENTS – FUNDS UNDER JOINT ADMINISTRATION

Short-term investments include treasury bills, discount notes and bankers' acceptances. The interest rates vary between 1.88% and 5.38%. These investments mature on different dates up to January 2003.

9. NON-TRANSFERABLE FUND BALANCE SHEET

ASSETS

Notes and other receivables – mortgage loans

An allowance of $2 740 287 (2001: $1 418 993) for bad debts was deducted from the balance of notes and other receivables, and mortgage loans to reflect the net realizable value.

Valuable objects and goods in storage

Amounts for moveables kept by a third party at the home of the person represented are not shown.

Other assets

Other assets include, notably, pre-arranged funeral services totalling $2 067 196 (2001: $1 739 242) held by the persons represented under curatorships or tutorships.

LIABILITY

Section 43 of the Public Curator Act states that "the Public Curator shall maintain a separate administration and accounting in respect of each patrimony of which he has the administration. He shall be liable for the debts relating to any patrimony he administers to the extent of the value of the property of the patrimony".

In this regard, it should be pointed out that the liability shown in this balance sheet represents what the Public Curator administers and not the liability for which he is legally liable.

10. FINANCIAL INSTRUMENTS - FUNDS UNDER JOINT ADMINISTRATION

Current assets and liabilities

The book values of the short-term assets and liabilities are comparable to the fair values given the fact that these financial instruments mature soon.

Bonds, shares and mortgage certificates

Bonds, shares and mortgage certificates in the Revenue Fund, the Diversified Fund and Registered Re[illegible]ement Plan Fund are shown at their fair value. Bonds are concentrated in government, municipal and corporation securities maturing in less than 31 years and bearing interest at rates varying between 5.00% and 9.75%.

The Public Curator does not expect to be exposed to a high concentration of credit risk since the sums are invested in different government and municipal securities and the shares of a number of major Canadian corporations.

PUBLIC CURATOR (THE)

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

11. CONTINGENCIES

Various legal and non-legal business involving the Public Curator is currently under way. The Public Curator cannot foresee the outcome of these disputes or estimate the value of financial compensation.

12. COMPARATIVE FIGURES

Certain 2001 figures were reclassified for consistency with the presentation adopted in 2002.

MANAGEMENT'S REPORT

The financial statements of the Public Curator of Québec and all information contained in the annual report are the responsibility of management and were approved by the Public Curator in office.

The financial statements were drawn up by management in accordance with the accounting policies described in Note 2 of the statements, which were deemed appropriate under the circumstances. The financial statements contain amounts determined based on best judgements and estimates. Management established these results reasonably in order to ensure that the financial statements are presented accurately in all significant respects. Management also prepared the financial information presented elsewhere in the annual report and ensured that it was consistent with that presented in the financial statements.

The Public Curator of Québec strives to maintain adequate, efficient systems of internal accounting and administrative controls designed to provide reasonable assurance that the financial information is relevant and reliable and that the agency's assets are correctly recorded and well protected. In the context of the current reform, the Public Curator has begun reviewing internal control systems. The improvement will be implemented gradually as of 2002-2003.

The Public Curator in office is responsible for ensuring that management performs its financial reporting duties and is ultimately responsible for auditing and approving the financial statements.

The Public Curator acknowledges that he is responsible for managing his affairs in keeping with the statutes and regulations governing him.

The Auditor General of Québec has audited the Public Curator's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of the audit and his opinion. The Auditor General may, without restriction, meet with the auditing committee to discuss any matter related to his audit.

Nicole Malo
Public Curator of Québec

Monique Daigle
Director, General of Administration

Pierre Roy
Director, Financial and Material Resources

Montréal, October 25, 2002

PUBLIC CURATOR (THE)

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the funds under joint administration and the Non-Transferable Fund of the Public Curator of Québec as at March 31, 2002 and the statements of net investment income of the funds under joint administration and of changes in accounts under administration for the year then ended. These financial statements are the responsibility of the Public Curator of Québec. My responsibility consists in expressing an opinion on these financial statements based on my audit.

Apart from the exceptions indicated below, I conducted my audit in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

Non-Transferable fund

As indicated in Note 2, the Public Curator records the change in accounts under administration of the funds under joint administration, receipts and disbursement related to the assets and liabilities of the Non-Transferable Fund. However, it does not record the integral change in the Non-Transferable Fund. In my opinion, complete recording of the change in the Non-Transferable Fund would allow presentation of the assets and liabilities entrusted to the Public Curator's administration as well as the gains or losses related to assets, whether realized or not. Moreover, since I have detected errors linked to the comprehensiveness of the items posted to the Non-Transferable Fund, I was unable to ensure that all of this fund's assets and liabilities were recorded as at March 31, 2002.

Funds under joint administration

Disbursements for the fiscal year totalling $10 493 658 consisting of employment assistance paid directly to agents (persons represented or the establishments managing these amounts for the Public Curator for these individuals) were presented in the changes in accounts under administration statement under expenditures for lodging and petty expenses. Given that the Public Curator has no information on these disbursements for which it is responsible, I was unable to check whether these operations actually occurred and whether they concerned the individuals represented. Consequently, I was unable to determine whether the amount of these disbursements needed adjusting.

In my opinion, with the exception of the effect of eventual adjustment to the funds under joint administration that I might have deemed necessary and the adjustments discussed above, these financial statements present fairly, in all material respects, the financial position of the funds under joint administration as at March 31, 2002 as well as the results of their operation and cash flows for the year ended then ended, in accordance with the accounting policies disclosed in Note 2. Given the scope of the repercussion that the above-mentioned problems are likely to have on the financial position of the Non-Transferable Fund and its change, it is impossible for me to express an opinion on the reliability of the picture given by the financial statements of this fund. In keeping with the requirements of the Auditor General Act (R.S.Q., c. V-5.01), I hereby declare that, in my opinion, given the prospective application of the change in accounting treatment of beneficiaries' funds as disclosed in Note 3, these policies were applied in the same manner as the previous fiscal year.

In my auditor's report, for the financial statements for the three-month period ended December 31, 2001, presented for comparison purposes, I have indicated the same type of restrictions as those mentioned above.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, October 25, 2002

ÉCOLE NATIONALE DE POLICE DU QUÉBEC
(S.Q., 2000, c.12)

REVENUE AND EXPENDITURE AND EQUITY
for the year ended June 30, 2001

	2001	2000
REVENUE		
Police force contributions	$8 199 326	$7 986 832
Gouvernement du Québec subsidy	1 600 000	
Lodging (Note 3)	2 877 066	2 613 286
Enrolment (Note 3)	2 820 079	2 583 837
Interest	100 672	81 588
Other	34 176	63 628
	15 631 319	13 329 171
EXPENDITURE		
Salaries and fringe benefits (Note 4)	10 990 668	8 675 089
Transportation and communications	440 042	198 688
Professional services	409 387	404 855
Maintenance and repairs	109 621	115 094
Rent	2 000 851	1 944 781
Rental of lodgings and other	226 584	158 003
Material and teaching materials (Note 5)	1 025 915	950 884
Furniture and equipment	209 035	193 484
Bank charges	2 514	5 174
Depreciation of fixed assets	506 181	427 182
	15 920 798	13 073 234
EXCESS REVENUE OVER EXPENDITURE	(289 479)	255 937
EQUITY, BEGINNING OF YEAR	1 226 354	970 417
EQUITY, END OF YEAR	$936 875	$1 226 354

ÉCOLE NATIONALE DE POLICE DU QUÉBEC

BALANCE SHEET
as at June 30, 2001

	2001	2000
ASSETS		
Current assets		
Cash on hand	$1 589 716	$3 991 819
Accounts receivable	1 402 604	1 576 490
Police force contribution receivable		
First instalment	2 831 913	24 603
Second instalment	2 858 646	2 852 908
Prepaid rent	1 700 000	
Inventory	42 553	45 887
	10 425 432	8 491 707
Fixed assets (Note 6)	1 258 824	1 193 283
	$11 684 256	$9 684 990
LIABILITIES		
Current liabilities		
Accounts payable and accruals		
Wages payable	$369 540	$375 336
Other	1 363 448	664 455
Provision for vacation time	451 543	386 245
Deferred revenue (Note 7)		
Police force contributions	6 067 827	6 169 712
Gouvernement du Québec subsidy	1 700 000	
Other	239 937	381 333
	10 192 295	7 977 081
Provision for sick leave (Note 8)	555 086	481 555
	10 747 381	8 458 636
EQUITY	936 875	1 226 354
	$11 684 256	$9 684 990

On behalf of the Board of Directors,
Robert Nelson, Chairman, Board of Directors
Louise Gagnon-Gaudreau, Director General

ÉCOLE NATIONALE DE POLICE DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS
June 30, 2001

1. CONSTITUTION AND PURPOSE

The École nationale de police du Québec, a Government agent established on September 1, 2000 by the Police Act (S.Q., 2000, c. 12), replaced the Institut de police du Québec on that date. The mission of the École, as a preferred venue for deliberating on an integrating activities related to police training, is to ensure that this training is relevant, of high quality and coherent.

2. ACCOUNTING POLICIES

The financial policies of the École were prepared by management on the accrual basis in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements. The statement of cash flows is not shown as it would not provide any useful supplementary information regarding the École's cash flow during the year.

Inventory

Office supplies, food items and ammunition are valued according to the specific identification method.

Fixed assets

Fixed assets are recorded at cost and depreciated on a straight-line basis at the following periods:

Furniture and equipment	5 years
Automotive equipment	5 years
Leasehold improvements	5 years
Computer equipment and software	3 years

Pension plans

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the École lacks sufficient information to apply the accounting procedure for defined-benefit plans.

3. LODGING AND ENROLMENT

	Lodging		Enrolment	
	2001	2000	2001	2000
Initial patrol-gendarmerie training	$1 368 048	$1 371 200	$994 476	$997 161
Professional development	1 223 447	932 664	1 424 975	1 184 591
Assessment centre for police personnel	19 080	18 858	400 628	402 085
Other	266 491	290 564		
	$2 877 066	$2 613 286	$2 820 079	$2 583 837

4. SALARIES AND FRINGE BENEFITS

	2001	2000
Police officers – Sûreté du Québec	$438 827	$397 409
Municipal police officers	1 256 513	1 151 504
Instructors and lecturers	1 264 909	573 919
Other employees	8 030 419	6 552 257
	$10 990 668	$8 675 089

5. MATERIAL AND TEACHING MATERIALS

	2001	2000
Ammunition, shooting targets	$131 467	$140 313
Gasoline, tires and automobile accessories	92 538	84 314
Stationery, office supplies and articles	102 627	98 796
Computer and audiovisual supplies	50 949	43 463
Teaching materials, books and periodicals	144 122	90 122
Foodstuffs and kitchen supplies	407 882	351 378
Fabric and clothing	73 234	119 904
Dwelling and maintenance supplies, promotional items	23 096	22 594
	$1 025 915	$950 884

6. FIXED ASSETS

	2001			2000
	Cost	Accumulated depreciation	Net	Net
Furniture and equipment	$1 152 327	$789 575	$362 752	$478 589
Automotive equipment	1 150 989	732 417	418 572	422 311
Leasehold improvements	581 292	432 967	148 325	158 516
Computer equipment and software	703 383	374 208	329 175	133 867
	$3 587 991	$2 329 167	$1 258 824	$1 193 283

Acquisitions of fixed assets totalled $606 735 (2000: $501 617). The disposal of fixed assets generated losses of $31 103 and proceeds of $3 910. There were no fixed asset disposal transactions in fiscal 2000.

7. DEFERRED REVENUE

The revenue deferred in relation to police force contributions represents the portion of the total contribution that will be earned in the following fiscal year.

The revenue deferred in relation to the subsidy represents an amount received from the Gouvernement du Québec in June 2001 to finance the École's rental expenditures for the period July 1, 2001 – June 30, 2002.

Other deferred revenue comprises primarily dwelling income received in advance for the basic police-training program.

8. FUTURE FRINGE BENEFITS

Pension Plans

The staff members of the École participate in the Government and Public Employees Retirement Plan (RREGOP), the Civil Service Superannuation Plan (CSSP) or the Superannuation Plan for the Members of the Sûreté du Québec (SPMSQ). These are interenterprise defined- benefit plans and include guaranteed payments upon retirement and death.

The École assumes employer contributions for members of its staff who were released by the Sûreté du Québec and who contribute to the SPMSQ. Employer contributions assumed by the École and charged to the year-end statement amount to $246 559 (2000: $258 208). The École's liability towards these Government plans is restricted to its contributions as an employer.

NOTES TO FINANCIAL STATEMENTS (cont'd)
June 30, 2001

8. FUTURE FRINGE BENEFITS (cont'd)

Provision for sick leave

	2001	2000
Opening balance	$481 555	$473 062
Expenditure for the year	153 790	76 096
Benefits paid during the year	(80 259)	(67 603)
Closing balance	$555 086	$481 555

9. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements and recorded at exchange value, the École is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The École did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

10. COMPARATIVE FIGURES

Certain 2000 figures were reclassified for consistency with the presentation adopted in 2001.

ÉCOLE NATIONALE DE POLICE DU QUÉBEC

MANAGEMENT'S REPORT

The financial statements of the École nationale de police du Québec were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded–when appropriate and in a manner suitable for preparing reliable financial statements.

The École recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors, through its audit committee, must oversee the way in which management performs its financial reporting duties, and has approved the financial statements.

The Auditor General of Québec has audited the École's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the board of directors to discuss any matter related to the audit.

Louise Gagnon-Gaudreau
Director General

Daniel Jean, CMA
Director, Administration

Nicolet, August 24, 2001

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the École nationale de police du Québec as at June 30, 2001 and the statements of revenue and expenditure and of equity for the year then ended. These financial statements are the responsibility of École management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the École's financial position as at June 30, 2001 and the results of its operations and the cash flows for the year then ended, in accordance with the generally accepted accounting principles in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Guy Breton, FCA
Auditor General of Québec

Québec, August 24, 2001

ÉCOLE NATIONALE DES POMPIERS DU QUÉBEC
(S.Q., 2000, c. 20)

REVENUE AND EXPENDITURE AND SURPLUS
for the ten-month period ended June 30, 2001

	2001
REVENUE	
Gouvernement du Québec subsidy	$500 000
Interest	1 296
	501 296
EXPENDITURE	
Salaries and fringe benefits	107 235
Transportation and communications	37 570
Professional services	64 445
Rent	34 362
Furniture and supplies	14 469
Depreciation of fixed assets	13 335
	271 416
EXCESS REVENUE OVER EXPENDITURE AND SUPLUS AT JUNE 30	$229 880

ÉCOLE NATIONALE DES POMPIERS DU QUÉBEC

BALANCE SHEET
as at June 30, 2001

	2001
ASSETS	
Current assets	
Cash on hand	$13 840
Accounts receivable – related parties	2 852
	16 692
Fixed assets (Note 3)	221 726
	$238 418
LIABILITIES	
Current liabilities	
Accounts payable and accruals	$8 538
SURPLUS	229 880
	$238 418

On behalf of the Board of Directors,
Luc Crépeault, Chairman, Board of Directors
Guy Lafortune, Vice-Chairman

ÉCOLE NATIONALE DES POMPIERS DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS
June 30, 2001

1. CONSTITUTION AND PURPOSE

The École nationale des pompiers du Québec is a legal person, an agent of the Government, incorporated on September 1, 2000 and governed by the Fire Safety Act (Q.S. 2000, c. 20). The mission of the school is to ensure that firefighters and other municipal fire safety personnel in Québec receive pertinent, high-quality and coherent qualifying professional fire safety training.

2. ACCOUNTING POLICIES

The financial statements of the École were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements. The statement of cash flows is not shown as it would not provide any useful supplementary information regarding the École's cash flow during the year.

Fixed assets

Fixed assets are recorded at cost and depreciated on a straight-line basis at the following rates:

Leasehold improvements	20%
Computer equipment and software	33 1/3%
Furniture and equipment	20%

Pension plan

The accounting procedure used for defined-contribution plans is applied to an interenterprise government defined-benefit plan, given that the École lacks sufficient information to apply the accounting procedure for defined-benefit plans.

3. FIXED ASSETS

	2001		
	Cost	Accumulated depreciation	Net value
Leasehold improvements	$187 586	$9 379	$178 207
Computer equipment and software	8 881	1 480	7 401
Furniture and equipment	38 594	2 476	36 118
	$235 061	$13 335	$221 726

4. PENSION PLAN

The staff members of the École participate in the Government and Public Employees Retirement Plan (RREGOP). This is an interenterprise defined-benefit plan and includes guaranteed payments upon retirement and death. Employer contributions charged to the year-end statement amount to $362. The École's liability towards these Government plans is restricted to its contributions as an employer.

5. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements and recorded at exchange value, the École is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The École did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

ÉCOLE NATIONALE DES POMPIERS DU QUÉBEC

MANAGEMENT'S REPORT

The financial statements of the École nationale des pompiers du Québec were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The École recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors, through its audit committee, must oversee the manner in which management performs its financial reporting duties, and has approved the financial statements.

The Auditor General of Québec has audited the École's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the board of directors to discuss any matter related to the audit.

Yves Desjardins
Director General

Laval, September 5, 2001

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the École nationale des pompiers du Québec as at June 30, 2001 and the statements of revenue and expenditure and surplus for the ten-month period then ended. These financial statements are the responsibility of École management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the École's financial position as at June 30, 2001 and the results of its operations and the cash flows for the ten-month period then ended, in accordance with the accounting principles that are generally accepted in Canada.

Guy Breton, FCA
Auditor General of Québec

Québec, September 5, 2001

FINANCEMENT-QUÉBEC
(R.S.Q., c. F-2.01)

INCOME AND RETAINED EARNINGS
for the year ended March 31, 2002
(in thousands of dollars)

	2002	2001
NET INTEREST INCOME		
Interest on loans	365 877	289 395
Amortization of discounts and premiums on loans	3 617	3 437
Interest on borrowings and advances	(380 055)	(309 699)
Amortization of discounts and premiums on borrowings and advances	4 383	4 127
Interest on short-term investments	6 589	15 075
	411	2 335
OTHER OPERATIONS		
Loan flotation costs charged to borrowers	6 094	2 621
Administration costs charged to borrowers	2 251	1 620
	8 345	4 241
	8 756	6 576
OPERATING AND ADMINISTRATIVE EXPENSES		
Wages, salaries and allowances	186	286
Professional, administrative and other services	74	49
Transportation and communications	1	2
Service agreement with the Financing Fund	612	553
Depreciation of fixed assets	2	1
Other	3	6
	878	897
NET INCOME	7 878	5 679
RETAINED EARNINGS, BEGINNING OF YEAR	9 245	3 566
RETAINED EARNINGS, END OF YEAR	17 123	9 245

FINANCEMENT-QUÉBEC

BALANCE SHEET
as at March 31, 2002
(in thousands of dollars)

	March 31, 2002	March 31, 2001
ASSETS		
Loans (Note 3)	6 553 958	5 051 570
Accrued interest on loans	123 698	110 118
	6 677 656	5 161 688
Cash on hand	26	44
Short-term investments		108 949
Accounts receivable	10 753	381
Fixed assets	7	9
	6 688 442	5 271 071
LIABILITIES		
Borrowings (Note 4)	3 179 726	1 687 400
Advances from the Consolidated Revenue Fund (Note 5)	3 300 826	3 405 186
Interest accrued on borrowings and advances	123 928	110 202
Premiums and discounts deferred on borrowings and advances	45 873	48 873
Accounts payable	10 899	69
Deferred revenue	67	96
	6 661 319	5 251 826
SHAREHOLDER'S EQUITY		
Capital stock (Note 6)	100	100
Contributed surplus	9 900	9 900
Retained earnings	17 123	9 245
	6 688 442	5 271 071

On behalf of the Board of Directors,
Daniel Doyon, Executive Vice-President
Bernard Turgeon, President and CEO

FINANCEMENT-QUÉBEC

CASH FLOWS
for the year ended March 31, 2002
(in thousands of dollars)

	2002	2001
OPERATING ACTIVITIES		
Net income	7 878	5 679
Adjustments for:		
Amortization of discounts and premiums on loans	(3 617)	(3 437)
Amortization of discounts and premiums on borrowings and advances	(4 383)	(4 127)
Depreciation of fixed assets	2	1
	(120)	(1 884)
Change in non-cash items linked to operations		
Accrued interest on loans	(13 580)	(35 399)
Accounts receivable	(10 372)	(206)
Accrued interest on borrowings and advances	13 726	41 425
Accounts payable	10 830	(2 901)
Deferred revenue	(29)	(79)
	575	2 840
Cash flows generated by operating activities	455	956
INVESTMENT ACTIVITIES		
Loans	(2 249 055)	(1 618 103)
Loan repayment	750 284	343 213
Acquisition of fixed assets		(10)
Cash flows used for investment activities	(1 498 771)	(1 274 900)
FINANCING ACTIVITIES		
Short-term borrowings	2 771 634	
Long-term borrowings	1 095 624	1 687 400
Advances from the Consolidated Revenue Fund	1 384	5 026 996
Repayment of advances from the Consolidated Revenue Fund	(104 361)	(5 331 563)
Repayment of long-term borrowings	(2 374 932)	
Cash flows provided by financing activities	1 389 349	1 382 833
CHANGE IN CASH AND CASH EQUIVALENTS	(108 967)	108 889
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	108 993	104
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 7)	26	108 993

NOTES TO FINANCIAL STATEMENTS
March 31, 2002
(in thousands of dollars)

1. CONSTITUTION, PURPOSE AND FINANCING

Financement-Québec (the "Corporation") was implemented by the Act respecting Financement-Québec (1999, chapter 11), which came into effect on October 1, 1999. The Corporation is a legal person with partnership capital and an agent of the State.

On October 1, 1999, the Corporation acquired the rights and took on the obligations resulting from financial transactions, advances, loans contracted and contracts entered into for the purpose of Financing Fund activities by the Minister of Finance, as the Fund manager, with public agencies contemplated by the Act establishing the Corporation.

The Corporation is mandated to provide financial services to public agencies. It finances them directly by granting them loans or issuing debt instruments on their behalf. It advises them in order to facilitate their access to credit and minimize the cost of financing and, for this purpose, develops financing programs. It may also manage the financial risks of these agencies, notably cash flow risks and foreign exchange risks. The corporation may also provide public agencies with technical services, notably related to financial analysis and management.

The Corporation charges borrowers loan flotation costs to offset those incurred by the Corporation or the Government on borrowings contracted for Financement-Québec. The Corporation also charges borrowers administration costs. The amounts charged are subject to Government approval.

2. ACCOUNTING POLICIES

The financial statements were prepared by Corporation management in accordance with accounting principles that are generally accepted in Canada. These statements include amounts based on best judgements and estimates.

Short-term investments

Short-term investments are recorded at cost or market value, whichever is less.

Fixed assets

Fixed assets are recorded at acquisition cost and amortized during their service life using the straight-line method and the following rates:

	Rate
Computer equipment	20%

Deferred costs and revenue

Deferred costs and revenue are amortized over the duration remaining for each instrument according to the straight-line method.

Currency translation

The loans and advances from the Consolidated Revenue Fund denominated in foreign currency are converted into Canadian dollars at the exchange rate in effect the date of the balance sheet. The amount to be repaid in Canadian currency under swap agreements is determined at the rate of exchange stipulated in these agreements.

Cash and cash equivalents

The Corporation's policy consists in presenting under cash and cash equivalents bank balances and short-term investments that are easily convertible in the short term and a known amount of cash whose value should not change significantly.

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002
(in thousands of dollars)

3. LOANS

	March 31, 2002	March 31, 2001
Borrowers		
School boards	2 927 515	2 634 379
Cegeps	806 227	495 186
Establishments governed by the Act respecting health services and social services (R.S.Q., c. S-5)	2 149 549	1 471 781
Universities	670 667	450 224
	6 553 958	5 051 570

Repayable in Canadian currency

Maturity date/fiscal year	Amount	Amount
2002		524 700
2003	857 297	892 178
2004	1 395 660	1 350 227
2005	3 089	3 277
2006	622 089	654 180
2007 – 2023	3 675 823	1 627 008
	6 553 958	5 051 570

The maturity dates and interest rates on the loans extended by the Corporation are, with certain exceptions, identical to those of the advances from the Consolidated Revenue Fund and borrowings acquired for this purpose, based on swap and interest rate agreements, where applicable. However, given the amounts available, the Corporation may grant new loans from the repayment of loans that have matured. The interest rates and maturity dates of these new loans may differ from the conditions of the original advance.

The balance of discounts and premiums to be amortized in subsequent years was $6 522 876 at March 31, 2002.

4. BORROWINGS

	March 31, 2002		March 31, 2001
Maturity date/fiscal year	Amount	Rate (%)	Amount
Repayable in Canadian currency			
2003	396 702	1.99567 to 2.04457	
2004	879 820	4.944 to 6.3172	879 820
2007	998 180	5.2236 to 6.456	498 180
2009	105 500	5.75	
2016	309 400	6.109 to 6.393	309 400
	2 689 602		1 687 400
Plus: Swap agreements in Canadian currency	490 124		
Total in Canadian currency (to be reported)	3 179 726		1 687 400

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002
(in thousands of dollars)

4. BORROWINGS (cont'd)

	March 31, 2002		March 31, 2002
Maturity date/fiscal year	Amount	Rate (%)	Amount
Total in Canadian currency (reported)	3 179 726		1 687 400
Repayable in European currency			
2009	490 124	5.466 to 5.861 and variable *	
Less: Swap agreements in Canadian currency	490 124		
Total in European currency			
Total borrowings	3 179 726		1 687 400

None of these borrowing are repayable before maturity.

* Bank acceptance rates, three months plus 0.39%.

5. ADVANCES FROM THE CONSOLIDATED REVENUE FUND

	March 31, 2002		March 31, 2001
Maturity date /fiscal year	Amount	Rate (%)	Amount
Repayable in Canadian currency			
2002		7.222 to 10.25	100 512
2003	855 776	5.25 to 9.25	855 776
2004	545 723	7.50	545 723
2006	742 919	6.00 to 9.50	742 919
2007 – 2010	791 879	5.50 to 11.00	792 453
2012	72 098	9.5	73 632
2023	159 106	9.375	160 846
	3 167 501		3 271 861
Plus: Swap agreements in Canadian currency	133 325		133 325
Total in Canadian currency	3 300 826		3 405 186
Repayable in US currency			
2003	106 508	6.273 to 6.359	106 508
2007	3 466	6.115	3 466
	109 974		109 974
Less: Swap agreements in Canadian currency	109 974		109 974
Total in US currency			
Amounts carried forward	3 300 826		3 405 186

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002
(in thousands of dollars)

5. ADVANCES FROM THE CONSOLIDATED REVENUE FUND (cont'd)

Maturity date /fiscal year	March 31, 2002 Amount	Rate (%)	March 31, 2001 Amount
Amounts brought forward	3 300 826		3 405 186
Repayable in Japanese currency			
2003	23 351	6.383	23 351
Less: Swap agreements in Canadian currency	23 351		23 351
Total in Japanese currency			
Total advances from the Consolidated Revenue Fund	3 300 826		3 405 186

The amounts of capital to be paid over the next five fiscal years break down as follows:

Fiscal year	Amount
2003	989 485
2004	549 572
2005	3 848
2006	746 768
2007	7 315

Derivative instruments

Financement-Québec uses derivative instruments, notably swap and interest rate agreements, to manage foreign exchange and interest rate risks related to borrowings of Financement-Québec and advances from the Consolidated Revenue Fund. Par value for swap agreement in Canadian currency is $3 932.3 million.

6. CAPITAL STOCK

Description

	2002
Authorized:	
1 000 000 common shares with a par value of $100 each	
Issued and fully paid:	
1 000 common shares	$100 000

The Corporation's shares are held by Québec's Minister of Finance.

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002
(in thousands of dollars)

7. CASH FLOWS

	2002	2001
Cash on hand	26	44
Short-term investments		108 949
	26	108 993

The interest paid by the Corporation during the fiscal year totalled $366 249 710 (2001: $268 351 915).

8. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements and recorded at exchange value, the Corporation is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Corporation did not carry out any business transactions with these related parties other than during the normal course of its activities and under normal business conditions. These transactions are not shown separately in the financial statements.

FINANCEMENT-QUÉBEC

MANAGEMENT'S REPORT

The financial statements of Financement-Québec were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Corporation's management acknowledges that it is responsible for conducting affairs in accordance with the statutes and regulations governing it.

The board of directors oversees the way in which management performs its financial reporting duties and has approved the financial statements.

The Auditor General of Québec has audited the Corporation's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion.

Daniel Doyon
Executive Vice-President

Bernard Turgeon
President and CEO

Québec, May 31, 2002

AUDITOR'S REPORT

To the Minister of Finance

I have audited the balance sheet of Financement-Québec as at March 31, 2002, the statement of income and retained earnings and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present, in all material respects, the Commission's financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, May 31, 2002

FONDATION DE LA FAUNE DU QUÉBEC
(R.S.Q., c. C-61.1)

INCOME AND CHANGES IN FUND BALANCES
for the year ended March 31, 2002

	General Fund		Fixed Assets Fund	
	2002	2001	2002	2001
REVENUE				
Contributions collected on the issue of fishing, hunting and trapping licenses	$2 980 923	$2 986 777		
Anti-Poverty Fund contributions	781 459	738 385		
Fund-raising (Note 3)	896 422	456 896		
Other contributions (Note 3)	207 376	162 544	$122 274	$53 747
Interest and other	66 927	77 582	31 786	21 109
	4 933 107	4 422 184	154 060	74 856
EXPENDITURE (Note 4)				
Cost of wildlife projects	3 160 835	2 994 968	412 420	185 894
Cost of Anti-Poverty Fund projects	734 871	763 168		
Fund-raising expenses	474 836	354 816		
Administrative expenses	447 257	452 330		
	4 817 799	4 565 282	412 420	185 894
EXCESS (DEFICIENCY) REVENUE OVER EXPENDITURE	115 308	(143 098)	(258 360)	(111 038)
OPENING FUND BALANCES	1 234 970	1 379 486	2 659 528	2 769 148
Inter-fund transfers	(50 000)	(1 418)	50 000	1 418
CLOSING FUND BALANCES	$1 300 278	$1 234 970	$2 451 168	$2 659 528

FONDATION DE LA FAUNE DU QUÉBEC

BALANCE SHEET
as at March 31, 2002

	2002			2001
	General Fund	Fixed Assets Fund	Total	Total
ASSETS				
Current assets				
Cash on hand	$26 955	$3 689	$30 644	$8 169
Term deposits	668 178	77 888	746 066	870 000
Accrued interest	25 396	8 072	33 468	50 212
Accounts receivable (Note 5)	493 092	98 643	591 735	295 580
Inventory	28 185		28 185	30 689
Prepaid expenses	8 788	8 489	17 277	31 132
	1 250 594	196 781	1 447 375	1 285 782
Investments (Note 6)	400 000		400 000	400 000
Collection of works of art	90 205		90 205	90 205
Fixed assets (Note 7)	11 282	2 255 193	2 266 475	2 344 241
	$1 752 081	$2 451 974	$4 204 055	$4 120 228
LIABILITIES				
Current liabilities				
Accounts payable and accruals	$305 248	$806	$306 054	$175 900
Deferred revenue	8 409		8 409	10 703
Deferred subscriptions (Note 9)	138 146		138 146	39 127
	451 803	806	452 609	225 730
FUND BALANCES				
Invested in collection	90 205		90 205	90 205
Invested in fixed assets	11 282	2 255 193	2 266 475	2 344 241
Allocations for wildlife projects (Note 10)	1 198 791	7 855	1 206 646	1 281 529
Free balance		188 120	188 120	178 523
	1 300 278	2 451 168	3 751 446	3 894 498
	$1 752 081	$2 451 974	$4 204 055	$4 120 228

DEPOSITS – WILDLIFE PROJECTS (Note 8)
COMMITMENTS (Note 11)

On behalf of the Board of Directors,
André Magny
André Duchesne

FONDATION DE LA FAUNE DU QUÉBEC

CASH FLOWS
for the year ended March 31, 2002

	2002			2001
	General Fund	Fixed Assets Fund	Total	Total
OPERATING ACTIVITIES				
Receipts				
Contributions-users, partners, clients and members	$3 789 541	$46 674	$3 836 215	$3 565 435
Anti-Poverty Fund and other government contributions	965 178	6 115	971 293	803 297
Interest earned and other	82 555	16 714	99 269	78 714
Disbursements				
Contributions to projects	(3 171 235)	(132 800)	(3 304 035)	(3 083 936)
Suppliers and staff members	(1 504 084)	(72 563)	(1 576 647)	(1 792 762)
Interest paid	(2 204)		(2 204)	(876)
Cash flows provided for (used for) operation activities	159 751	(135 860)	23 891	(430 128)
INVESTMENT ACTIVITIES				
Acquisition of works of art				(10 000)
Acquisition of fixed assets	(10 713)	(114 637)	(125 350)	(6 155)
Cash flows used for investment activities	(10 713)	(114 637)	(125 350)	(16 155)
FINANCING ACTIVITIES				
Encashment of investments				194 637
Inter-fund transfer	(50 000)	50 000		
Cash flows provided by (used for) financing activities	(50 000)	50 000		194 637
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	99 038	(200 497)	(101 459)	(251 646)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	596 095	282 074	878 169	1 129 815
CASH AND CASH EQUIVALENTS, END OF YEAR *	$695 133	$81 577	$776 710	$878 169

* Cash and cash equivalents include cash and term deposits.

FONDATION DE LA FAUNE DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION, PURPOSE AND FUNDING

The Fondation de la faune du Québec, a non-profit corporation, was established under the Act respecting the conservation and development of wildlife (R.S.Q., chapter C-61.1) for the purpose of promoting the conservation and development of wildlife and wildlife habitats.

A contribution toward the funding of the Fondation, the amount of which is determined by regulation of the Government, is collected on the issue of fishing, hunting and trapping licences and paid to the Fondation by the Société de la faune des parcs du Québec.

2. ACCOUNTING POLICIES

The financial statements of the Fondation were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

The Fondation's current operations are included in the General Fund.

The Fixed Assets Fund records transactions related to the acquisition of land and development rights for wildlife habitat protection purposes. The Fondation's net assets, other than land, development rights and fixed assets, are reserved for the acquisition of fixed assets for the Fondation or third parties and for payment of related expenses. These fixed assets may not be disposed of, in whole or in part, without the consent of the partners who contributed to their purchase. This fund is therefore a designated fund.

Contribution recording

The Fondation uses the deferral method for recording contributions. Contributions allocated to operations are entered as revenue in the General Fund in the year during which the related expenditures are made. Contributions and interest allocated to immoveables are entered as revenue in the Fixed Assets Fund.

Non-designated contributions are entered as revenue in the year during which they are made.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is calculated according to the first in, first out (FIFO) method.

Fixed assets

Equipment

Equipment is recorded at cost and depreciated over its useful life on a straight-line basis at the rates of 20 and 33 1/3%.

Land

Land is entered at cost, except donated land, which is recorded, on the date of acquisition, at its estimated market value or a value based on its municipal assessment.

Development rights

Development rights held under acts of servitude for wildlife are recorded at cost.

Works of art

Works of art are recorded at cost, except for those which are donated or received in exchange for services rendered, which are recorded, on the acquisition date, at their estimated market value.

2. ACCOUNTING POLICIES (cont'd)

Cash and cash equivalents

The Fondation's policy consists in presenting under cash and cash equivalents bank balances and short-term investments that are easily convertible in the short term and a known amount of cash whose value should not change significantly.

Pension plans

The Fondation participates in interenterprise government defined-benefits plans. Since it lacks sufficient information to apply the accounting procedure for defined- benefit plans, the Fondation applies the accounting procedure for defined-contribution plans.

3. FUND-RAISING AND OTHER CONTRIBUTIONS

	2002				2001
	Fund-raising	Other contributions		Total	Total
		Operations	Fixed assets		
Governments and municipalities	$214 764	$33 555	$81 170	$329 489	$117 074
Individuals	259 577	9 478		269 055	217 275
Foundations and NPOs	105 021	160 813	41 104	306 938	176 588
Enterprises	317 060	3 530		320 590	162 250
	$896 422	$207 376	$122 274	$1 226 072	$673 187

4. EXPENDITURE

General Fund

	2002	2001
Cost of wildlife projects		
Contributions:		
Projects administered by partners	$1 961 662	$1 626 863
Projects administered by the Fondation *	151 055	258 023
"Pêche en ville" and "Relève" programs	589 876	617 599
Salaries and fringe benefits	370 120	402 772
Professional fees	2 344	5 883
Travelling expenses	9 025	18 915
Meetings, conferences and professional development	3 833	4 994
Advertising and promotional expenses	59 040	45 979
Printing and office expenses	8 403	10 054
Furniture and equipment	894	2 370
Depreciation of fixed assets	2 577	1 516
Other	2 006	
	$3 160 835	$2 994 968

* Includes $39 258 (2001: $69 137) for professional fees and $70 746 (2001: $70 549) for salaries and fringe benefits.

FONDATION DE LA FAUNE DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

4. EXPENDITURE (cont'd)

General Fund (cont'd)

	2002	2001
Cost of Anti-Poverty Fund projects		
Wage subsidies	$711 201	$630 283
Training subsidies	23 311	62 428
Management fees	359	69 425
Depreciation of fixed assets		1 032
	$734 871	$763 168
Fund-raising expenses		
Salaries and fringe benefits	$206 095	$159 064
Professional fees		500
Commissions and royalties	41 189	44 413
Production of goods	40 857	51 454
Travelling expenses	17 575	22 709
Meetings, conference and professional development	31 085	9 139
Advertising and promotional expenses	101 823	40 575
Printing and office expenses	18 709	17 275
Furniture and equipment	1 094	232
Depreciation of fixed assets	1 926	1 289
Other	14 483	8 166
	$474 836	$354 816
Administrative expenses		
Salaries and fringe benefits	$296 492	$293 526
Professional fees	330	8 162
Travelling expenses	17 565	21 371
Meetings, conference and professional development	1 734	2 896
Advertising and promotional expenses	11 505	8 514
Rent	79 110	78 518
Printing and office expenses	26 216	25 615
Furniture and equipment	3 615	3 989
Depreciation of fixed assets	2 909	2 417
Other	7 781	7 322
	$447 257	$452 330

4. EXPENDITURE (cont'd)

Fixed Assets Fund

	2002	2001
Cost of wildlife projects		
Contributions:		
Land acquisition and protection projects	$109 000	
Donation of land	195 704	
Assistance to protected sites managers	21 800	$90 000
Indirect costs:		
Salaries and fringe benefits	23 309	23 280
Professional fees	22 298	17 790
Advertising and promotional expenses	10 870	9 494
Land management	27 666	42 466
Travelling expenses and other	1 773	2 864
	$412 420	$185 894

5. ACCOUNTS RECEIVABLE

Accounts receivable includes an amount of $195 351 (2001: $118 139) owed by Gouvernement du Québec departments and agencies.

6. INVESTMENTS

Investments include term deposits guaranteed by the credit line and are presented at face value. These term deposits mature between June 12, 2002 and June 12, 2005 and bear interest at rates varying between 5.51% and 6.35%.

7. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net	Net
General Fund				
Equipment	$60 775	$49 493	$11 282	$7 981
Fixed Assets Fund				
Equipment	6 568	6 568		
Land	2 171 193		2 171 193	2 252 260
Management right	84 000		84 000	84 000
	2 261 761	6 568	2 255 193	2 336 260
	$2 322 536	$56 061	$2 266 475	$2 344 241

Depreciation for the year amounts to $7 412 (2001: $6 254).

8. DEPOSITS – WILDLIFE PROJECTS

The Fondation holds funds on behalf of certain agencies for special projects in which the Fondation is not involved. The balance of these funds comprising cash, term deposits, accrued interest and related operations are not included in the Fondation's financial statements.

	2002	2001
Opening fund balance	$1 852 615	$1 224 015
Deposits and interest earned	937 638	1 068 072
Disbursements and administrative costs	(1 214 436)	(472 795)
(Decrease) increase in accrued interest	(3 146)	33 323
Closing fund balance	$1 572 671	$1 852 615

9. DEFERRED CONTRIBUTIONS

Deferred contributions present the amounts received from the Anti-Poverty Fund through labour market re-entry and other partners designed to cover future expenditures. Changes in the amounts of the contributions recorded are as follows:

	2002			2001
	Anti-Poverty Fund	Other	Total	Total
Opening balance		$39 127	$39 127	$336 632
Contributions for the fiscal year	$886 998	33 500	920 498	702 943
Amounts noted as products of the fiscal year	(781 459)	(40 020)	(821 479)	(1 000 448)
Closing balance	$105 539	$32 607	$138 146	$39 127

10. ALLOCATIONS FOR WILDLIFE PROJECTS

General Fund

The Fondation has committed to paying a sum of $2 675 480 as financial assistance for various wildlife projects. At March 31, 2002, the financial assistance contracts signed represented $1 528 998 of the total amount committed.

The Fondation allocated $1 198 791 to meet its commitments.

Fixed Assets Fund

The Fondation is committed to paying $7 855 for the acquisition of land for wildlife purposes.

11. COMMITMENTS

The Fondation is committed to a long-term lease for office space expiring November 30, 2005. This lease includes a five-year renewal option. The minimum lease payments for the coming fiscal years are as follows:

2003	$79 215
2004	80 912
2005	80 912
2006	53 941
	$294 980

12. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its statements and measured at exchange value, the Fondation is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Fondation did not conclude any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

13. FUTURE FRINGE BENEFITS

Pension plan

The staff members of the Fondation participate in the Government and Public Employees Retirement Plan (RREGOP). This is an interenterprise defined-benefit plan and includes guaranteed payments upon retirement and death.

The Fondation's contributions charged to the year-end statement amount to $28 676 (2001: $27 238). The Fondation's liability towards this Government plan is restricted to its contributions as an employer.

14. COMPARATIVE FIGURES

Certain 2001 figures were reclassified for consistency with the presentation adopted in 2002.

FONDATION DE LA FAUNE DU QUÉBEC

MANAGEMENT'S REPORT

The financial statements of the Fondation de la Faune du Québec were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Fondation recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The Auditor General of Québec has audited the Fondation's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion.

Bernard Beaudin
President and Chief Executive Officer

Sainte-Foy, June 7, 2002

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Fondation de la faune du Québec as at March 31, 2002 and the statements of income and changes in fund balances and cash flow for the year then ended. These financial statements are the responsibility of Fondation' management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present, in all material respects, the Fondation's financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

On behalf of the acting Auditor General,
France Alain, CA
Director of Consulting Services
and Quality Assurance

Québec, June 7, 2002

FONDS CENTRAL POUR LE BÉNÉFICE DES PERSONNES INCARCÉRÉES
(R.S.Q., c. S-4.01)

REVENUE AND EXPENDITURE
for the year ended December 31, 2001

	2001	2000 (Note 3)
REVENUE		
Contributions by funds established in houses of detention	$46 240	$30 693
Interest on loans	36 986	7 550
Interest on investments and bank deposits	64 912	71 570
Dividends on mutual fund units	2 326	23 024
Gain on sales of mutual fund units	5 320	
	155 784	132 837
EXPENDITURE		
Salaries and fringe benefits	67 930	66 595
Administrative expenses	40 654	30 684
Professional fees	5 703	5 138
Gift to funds established in houses of detention	38 193	42 039
Loss on sale of mutual fund units		5 220
	152 480	149 676
EXCESS REVENUE OVER EXPENDITURE	$3 304	$(16 839)

SURPLUS
for the year ended December 31, 2001

	2001	2000
SURPLUS, BEGINNING OF YEAR		
Balance established	$2 079 170	$2 100 806
Adjustment (Note 3)	4 797	
Adjusted balance	2 083 967	2 100 806
EXCESS REVENUE OVER EXPENDITURE	3 304	(16 839)
SURPLUS, END OF YEAR	$2 087 271	$2 083 967

FONDS CENTRAL POUR LE BÉNÉFICE DES PERSONNES INCARCÉRÉES

BALANCE SHEET
as at December 31, 2001

	2001	2000 (Note 3)
ASSETS		
Current assets		
Cash on hand	$44 558	$344 672
Term deposit, at rate of 3.35%	102 394	300 000
Contributions receivable	43 880	12 069
Accrued interest	3 328	2 267
Loans (Note 4)	30 258	17 425
	224 418	676 433
Loans (Note 4)	814 209	337 281
Investments (Note 5)	1 048 127	1 066 669
Fixed assets (Note 6)	5 563	4 797
	$2 092 317	$2 085 180
LIABILITIES		
Current liabilities		
Accounts payable and accruals	$5 046	$1 213
SURPLUS	2 087 271	2 083 967
	$2 092 317	$2 085 180

On behalf of the Board of Directors,
Arthur Fauteux
Euclide Laliberté

FONDS CENTRAL POUR LE BÉNÉFICE DES PERSONNES INCARCÉRÉES

CASH FLOWS
for the year ended December 31, 2001

	2001	2000 (Note 3)
OPERATING ACTIVITIES		
Excess revenue over expenditure	$3 304	$(16 839)
Adjustments for:		
Amortization of fixed assets	1 822	695
Loss (gain) on sale of mutual fund units	(5 320)	5 220
Dividends on mutual fund units	(2 326)	(23 024)
	(2 520)	(33 948)
Change in elements linked to operations		
Encashment of loans	75 239	13 271
New loans	(565 000)	(182 610)
Other accounts receivable		4 963
Contributions receivable	(31 811)	4 493
Accrued interest	(21 274)	6 408
Accounts payable and accruals	3 833	(7 904)
	(539 013)	(161 379)
Cash flows used for operating activities	(541 533)	(195 327)
INVESTMENT ACTIVITIES		
Acquisition of fixed assets	(2 588)	(5 492)
Acquisition of investments	(472 960)	(236 014)
Proceeds from sale of investments	519 361	591 853
Cash flows generated by investment activities	43 813	350 347
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(497 720)	155 020
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	644 672	489 652
CASH AND CASH EQUIVALENTS, END OF YEAR	$146 952	$644 672
COMPOSITION OF CASH AND CASH EQUIVALENTS		
Cash on hand	$44 558	$344 672
Short-term investment	102 394	300 000
	$146 952	$644 672

FONDS CENTRAL POUR LE BÉNÉFICE DES PERSONNES INCARCÉRÉES

NOTES TO FINANCIAL STATEMENTS
December 31, 2001

1. CONSTITUTION, PURPOSE AND FINANCING

A legal person within the meaning of the Civil Code, the Fonds central pour le bénéfice des personnes incarcérées was established under the Act respecting correctional services (R.S.Q., c. S-4.01). Its functions are to lend support to funds established in houses of detention and in financial difficulty, for which purpose it may make them gifts or grant them loans with or without interest; devise policies concerning programs of activities and advise the Government on what regulations to adopt; and approve the program of activities established by all funds established in houses of detention.

The Fonds receives contributions from all funds established for the benefit of persons confined in houses of detention. The Government prescribes the limits within which the Fonds may determine this contribution, which may vary according to the criteria it prescribes by regulation.

2. ACCOUNTING POLICIES

The financial statements of the Fonds were prepared by management in accordance with accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Short-term investment

The short-term investment is recorded at cost.

Investments

Investments are recorded at acquisition value.

Fixed assets

Fixed assets are recorded at cost and amortized based on their service life using the straight-line method.

	Service life
Computer equipment	3 years
Office equipment	5 years

Cash and cash equivalents

The Fonds' policy consists in presenting under cash and cash equivalents bank balances and short-term investments maturing within three months of the date they were acquired.

3. CHANGE IN ACCOUNTING POLICIES

As of this fiscal year, the Fonds will capitalize capital acquisitions, which were formerly posted to operations.

This change, applied retroactively, will increase the following items:

	2001	2000
Excess revenue over expenditures	1 766	4 797
Fixed assets	5 563	4 797
Surplus	5 563	4 797

NOTES TO FINANCIAL STATEMENTS
December 31, 2001

4. LOANS

	2001	2000
Loans to funds established in houses of detention		
Sherbrooke – bearing interest at 6.5%, encashable in monthly instalments of $1 240 (principal and interest), maturing in 2015*	$132 433	$138 486
Sherbrooke – interest-free until 2003 and instalments to be determined and begin in 2003*	50 000	50 000
Trois-Rivières – bearing interest at 6.5%, encashable in monthly instalments of $1 234 (principal and interest) beginning on January 1, 2001 and maturing in 2015*	135 898	141 668
New-Carlisle – interest-free and without repayment terms*	65 000	
Québec (men's sector) bearing interest at 7.5%, encashable in monthly instalments of $2 967 (principal and interest), maturing in 2011	234 053	
Québec (men's sector) interest free, encashable in monthly instalments of $2 083, maturing in 2011	227 083	
Amos – bearing interest at 7.5%		24 552
	844 467	354 706
Instalments due within one year	(30 258)	(17 425)
	$814 209	$337 281

* The interest rate and terms and conditions of repayment will be re-evaluated annually on the loan's anniversary date.

5. INVESTMENTS

	2001	2000
Bonds		
Gouvernement du Québec, at varying rates from 2.99% to 5.11%, maturing from 2001 to 2003	$334 684	$356 085
Hydro-Québec, at rates of 6.03% and 6.52%, maturing in 2002 and 2003	227 399	227 399
Hydro-Ontario, at a rate of 6.147%, maturing in 2004	119 774	119 774
Accrued interest	86 334	66 121
	768 191	769 379
Mutual fund units (market value - 2001: $302 862; 2000: $330 664)	279 936	297 290
	$1 048 127	$1 066 669

FONDS CENTRAL POUR LE BÉNÉFICE DES PERSONNES INCARCÉRÉES

NOTES TO FINANCIAL STATEMENTS
December 31, 2001

6. FIXED ASSETS

	2001			2000
	Cost	Accumulated depreciation	Net	Net
Office equipment	$3 300	$990	$2 310	$2 970
Computer equipment	4 780	1 527	3 253	1 827
	$8 080	$2 517	$5 563	$4 797

MANAGEMENT'S REPORT

The financial statements of the Fonds central pour le bénéfice des personnes incarcérées have been drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for use in preparing reliable financial statements.

The Fonds recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors oversees the manner in which management performs its financial reporting duties and has approved the financial statements.

The Auditor General of Québec has audited the Fonds' financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion.

Arthur Fauteux
President

Sainte-Foy, April 3, 2002

FONDS CENTRAL POUR LE BÉNÉFICE DES PERSONNES INCARCÉRÉES
(R.S.Q., c. R-2.1)

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Fonds central pour le bénéfice des personnes incarcérées as at December 31, 2001, the statement of revenue and expenditure, the statement of surplus and the statement of cash flows for the year then ended. These financial statements are the responsibility of Fonds management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation

In my opinion, these financial statements present fairly, in all material respects, the Fonds' financial position as at December 31, 2001 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, given the retroactive application of the change in the method for recording fixed assets disclosed in Note 3, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, April 3, 2002

FONDS D'AIDE AUX RECOURS COLLECTIFS
(R.S.Q., c. R-2.1)

REVENUE AND EXPENDITURE AND SURPLUS
for the year ended March 31, 2002

	2002	2001 (Note 3)
REVENUE		
Gouvernement du Québec subsidy	$1 233 600	$708 600
Subrogations	1 949 362	373 409
Balances on class actions and settled claims	66 400	166 137
Interest	25 835	37 958
	3 275 197	1 286 104
EXPENDITURE		
Assistance to recipients (Note 4)	1 054 452	1 257 714
Expenses of the board of directors:		
Fees	47 020	37 355
Communications and travelling expenses	8 750	9 773
	55 770	47 128
Administrative expenses:		
Salaries and fringe benefits	165 322	190 700
Rent	30 326	30 326
Professional and administrative services	66 873	28 841
Transportation and communications	6 672	7 673
Equipment	153	3 879
Materials and supplies	3 380	2 824
Maintenance and repairs	913	1 086
Other expenses	249	9
	273 888	265 338
	1 384 110	1 570 180
EXCESS REVENUE OVER EXPENDITURE	1 891 087	(284 076)
SURPLUS, BEGINNING OF YEAR	627 770	911 846
SURPLUS, END OF YEAR	$2 518 857	$627 770

SEGMENTAL REPORTING (Note 5)

FONDS D'AIDE AUX RECOURS COLLECTIFS

BALANCE SHEET
as at March 31, 2002

	2002	2001 (Note 3)
ASSETS		
Current assets		
Cash on hand (Note 6)	$1 881 946	$172 349
Short-term investments – at cost	325 384	
Gouvernement du Québec subsidy receivable		100 000
Accounts receivable	35	
Accrued interest	18 182	16 900
Prepaid expenses	459	802
	2 226 006	290 051
Investment – at cost (Note 7)	405 788	405 788
	$2 631 794	$695 839
LIABILITIES		
Current liabilities		
Accounts payable and accruals	$101 888	$46 508
Provision for sick leave (Note 10)	11 049	21 561
	112 937	68 069
SURPLUS		
Surplus reserved for assistance to recipients (Note 8)		
Maintenance of liquid assets	100 000	100 000
Coverage of commitments	2 418 857	527 770
	2 518 857	627 770
	$2 631 794	$695 839

COMMITMENTS (Note 9)

On behalf of the Board of Directors,
Jean Bernier
Anne Turgeon

FONDS D'AIDE AUX RECOURS COLLECTIFS

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

A legal person within the meaning of the Civil Code, the Fonds d'aide aux recours collectifs was established under the Act respecting the class action (R.S.Q., c. R-2.1) for the purpose of funding class action suits and disseminating information respecting the exercise of such suits. It ensures the necessary funding for launching and carrying out class action suits.

Under the Income Tax Act (RSC 1985, c.1, 5th supplement) and the Taxation Act (R.S.Q., c. I-3), the Fonds is not subject to income tax.

2. ACCOUNTING POLICIES

The financial statements of the Fonds were prepared by management on the accrual basis in accordance with accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements. The cash flow statement is not shown as it would not provide any useful additional information regarding the Fonds' cash flow during the year.

Revenue

Revenue from subrogations, balances on class actions and settled claims is recorded when cashed.

Expenditures

Expenditures in assistance to recipients are recorded during the year the assistance is required and payable inasmuch as beneficiaries met the eligibility criteria, where applicable.

Pension plan

The accounting procedure used for defined-contribution plans is applied to interentreprise government defined-benefit plans, given that the Fonds lacks sufficient information to apply the accounting procedure for defined-benefit plans.

3. CHANGE IN ACCOUNTING POLICY

As of this fiscal year, the Fonds will record assistance to recipients on an accrual basis. Formerly this assistance was recorded when disbursed.

This change, applied retroactively, will increase (decrease) the following financial statement items:

	2002	2001
Revenue and expenditure and surplus		
Assistance to recipients	$50 918	
Excess revenue over expenditure	(50 918)	
Balance sheet		
Accounts payable and accruals	50 918	
Surplus	(50 918)	

4. FINANCIAL ASSISTANCE TO RECIPIENTS

The assistance to recipients for class actions during the year includes $258 439 (2001: $500 132) for three suits related to the July 1996 floods in the Saguenay region.

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

5. SEGMENTAL REPORTING

Activity sectors	2002 Operations	2002 Assistance to recipients	2002 Total	2001 Operations	2001 Assistance to recipients	2001 Total
Revenue						
Gouvernement du Québec subsidy	$435 400	$798 200	$1 233 600	$310 400	$398 200	$708 600
Subrogations		1 949 362	1 949 362		373 409	373 409
Balances on class actions and settled claims		66 400	66 400		166 137	166 137
Interest (1)		25 835	25 835	2 066	35 892	37 958
	435 400	2 839 797	3 275 197	312 466	973 638	1 286 104
Expenditure						
Assistance to recipients		1 054 452	1 054 452		1 257 714	1 257 714
Expenses of the board of directors:						
Fees	47 020		47 020	37 355		37 355
Communications and travelling expenses	8 750		8 750	9 773		9 773
	55 770		55 770	47 128		47 128
Administrative expenses:						
Salaries and fringe benefits	165 322		165 322	190 700		190 700
Rents	30 326		30 326	30 326		30 326
Professional and administrative expenses	66 873		66 873	28 841		28 841
Transportation and communications	6 672		6 672	7 673		7 673
Equipment	153		153	3 879		3 879
Materials and supplies	3 380		3 380	2 824		2 824
Maintenance and repairs	913		913	1 086		1 086
Other expenses	249		249	9		9
	273 888		273 888	265 338		265 338
	329 658	1 054 452	1 384 110	312 466	1 257 714	1 570 180
Excess revenue over expenditure	$105 742	$1 785 345	$1 891 087		$(284 076)	$(284 076)

(1) In accordance with the Act respecting the class action, all revenue from balances on class actions and settled claims is allocated to assistance to recipients.

6. CASH ON HAND

At March 31, 2002, this item included $1 664 123 in cash in hand in Flexi-Plus in Placements Québec, at a variable rate.

7. INVESTMENT

	2002	2001
Québec savings bond maturing June 1, 2008 at an interest rate of 5.00%	$405 788	$405 788

8. SURPLUS

The Fonds board of directors deems it essential to maintain liquid assets of $100 000 in its Working Capital Fund. Moreover, it passed a resolution to reserve the surplus for the Fonds' present and future commitments.

9. COMMITMENTS

At March 31, 2002, Fonds' commitments related to assistance to recipients amounted to $2 152 100, including $53 380 for a suit related to the Saguenay floods. As at March 31, 2001, Fonds commitments related to assistance to recipients amounted to $2 408 234, including $428 529 for the three suits related to the Saguenay floods.

10. FUTURE FRINGE BENEFITS

Pension plan

Fonds staff members participate in the Government and Public Employees Retirement Plan (RREGOP). This is an interenterprise defined-benefit plan that includes guaranteed payments upon retirement and death.

The Fonds contributions charged to the year-end statement were $6 223 (2001: $5 871). The Fonds' liability towards this Government plan is restricted to its contributions as an employer.

Provision for sick leave

	2002	2001
Opening balance	$21 561	$20 083
Expenditure for the year	117	9 038
Benefits paid during the year	(10 629)	(7 560)
Closing balance	$11 049	$21 561

FONDS D'AIDE AUX RECOURS COLLECTIFS

MANAGEMENT'S REPORT

The financial statements of the Fonds d'aide aux recours collectifs were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Fonds recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors oversees the manned in which management performs its financial reporting duties and has approved the financial statements.

The Auditor General of Québec has audited the Fonds' financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the board of directors to discuss any matter related to the audit.

Jean Bernier
President

Louise Ducharme
Legal Counsel and Secretary

Montréal, October 10, 2002

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Fonds d'aide aux recours collectifs as at March 31, 2002 and the statement of revenue and expenditure and surplus for the year then ended. These financial statements are the responsibility of Fonds management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Fonds' financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, given the retroactive application of the change in the method for reporting assistance to recipients disclosed in Note 3, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, October 10, 2002

FONDS D'ASSURANCE-GARANTIE ADMINISTRÉ PAR LA RÉGIE DES MARCHÉS AGRICOLES ET ALIMENTAIRES DU QUÉBEC
(R.S.Q., c. M-35.1 and c. P-30)

REVENUE AND EXPENDITURE AND FUND BALANCE
for the fiscal year ended March 31, 2002

	2002	2001
REVENUE		
Premiums	$117 826	$139 113
Investment income (Note 3)	233 775	409 094
Guarantee claims	125 447	
	477 048	548 207
EXPENDITURE		
Guarantee claims		7 349
EXCESS REVENUE OVER EXPENDITURE	477 048	540 858
OPENING FUND BALANCE	4 225 747	3 684 889
CLOSING FUND BALANCE	$4 702 795	$4 225 747

BALANCE SHEET
as at March 31, 2002

	2002	2001
ASSETS		
Cash on hand	$337	$2 335
Accounts receivable		175
Deposits with the General Fund of the Caisse de dépôt et placement du Québec		
Demand deposits and accrued interest	47 701	57 580
Participation deposits (Note 4)	4 665 260	4 301 607
	$4 713 298	$4 361 697
LIABILITIES		
Guarantee claim payable	$10 503	$135 950
FUND BALANCE	4 702 795	4 225 747
	$4 713 298	$4 361 697

GUARANTEE POLICIES (Note 5)

On behalf of the Régie,
Gaétan Busque
Claude Régnier

FONDS D'ASSURANCE-GARANTIE ADMINISTRÉ PAR LA RÉGIE DES MARCHÉS AGRICOLES ET ALIMENTAIRES DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

The Régie des marchés agricoles et alimentaires du Québec was established by a special Act (R.S.Q., c. M-35.1).

The Régie's functions are to foster the efficient and orderly marketing of agricultural and food products, the development of harmonious relations between the various parties involved and the settlement of disputes arising in connection with the production and marketing of such products, taking into account the interests of consumers and the protection of the public interest. The Régie has the same functions in respect of the marketing of fish products. It also manages the Guarantee Insurance Fund.

Guarantee Insurance Fund

The Guarantee Insurance Fund results from the Régie's application of Division V (pertaining to guarantee policies) of the Dairy Products and Dairy Products Substitutes Act (R.S.Q., c. P-30).

The Régie provides milk dealers with guarantee policies to cover the payment of sums that a milk dealer owes or may owe to his producers or to the agency responsible for applying a joint plan. Premiums collected and any other net revenue of the Fund must be used solely to pay claims arising from policies issued by the Régie. No one may act as a milk dealer without holding a policy issued by the Régie. On the Government's authorization, the Minister of Finance may advance the sums required by the Régie to discharge its obligations under policies it issues.

2. ACCOUNTING POLICIES

The financial statements of the Guarantee Insurance Fund administered by the Régie were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best judgements and estimates. The statement of cash flows is not shown as it would not provide any useful supplementary information regarding the Fund's cash flows during the year.

Reimbursement of claims

Claims from producers or from the agency responsible for applying a joint plan are recorded when known. The amount of these claims is adjusted as additional information is known.

Deposits with the General Fund of the Caisse de dépôt et placement du Québec

Deposits are recorded at cost.

Administrative expenses of the Guarantee Insurance Fund administered by the Régie

The Fund's administrative expenses are borne by the Consolidated Revenue Fund.

3. INVESTMENT INCOME

	2002	2001
General Fund of the Caisse de dépôt et placement du Québec:		
Participation deposits	$232 702	$407 128
Demand deposits	1 073	1 966
	$233 775	$409 094

FONDS D'ASSURANCE-GARANTIE ADMINISTRÉ PAR LA RÉGIE DES MARCHÉS AGRICOLES ET ALIMENTAIRES DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

4. PARTICIPATION DEPOSITS

Participation deposits with the General Fund of the Caisse de dépôt et placement du Québec are expressed in units and each unit gives the holder a proportional share in the net equity and the net revenue of the General Fund. Units may be refunded on advance notice in accordance with the terms of payment of the Caisse de dépôt at the fair value of the net equity of the General Fund at the end of each month.

	2002	2001
Number of units	5 251	4 844
Fair value per unit	$862	$912
Cost of units	4 665 260	4 301 607
Fair value of units	4 525 068	4 417 759

5. GUARANTEE POLICIES

The guarantee policies issued by the Régie insure an amount representing the three largest monthly shipments of milk and cream from producers during the previous fiscal year. Policies in force as at March 31, 2002 totalled $553 million (2001: $502 million).

Further, in addition to guaranteeing the solvability of a dairy merchant, the Régie demanded additional conditions before issuing a guarantee policy. For new dairy merchants, those in financial straits and foreign companies, letters of guarantee or bonds issued by financial institutions, parent companies or subsidiaries were required. The value of these additional guarantees as at March 31, 2002 totalled $88 M (2001: $84 M).

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Guarantee Insurance Fund administered by the Régie des marchés agricoles et alimentaires du Québec as at March 31, 2002 and the statement of revenue and expenditure and Fund balance for the year then ended. These financial statements are the responsibility of the Régie's management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Guarantee Insurance Fund as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

On behalf of the Acting Auditor General of Québec
France Alain, CA
Director of Consulting Services
and Quality Insurance

Québec, July 16, 2002

FONDS D'ASSURANCE-PRÊTS AGRICOLES ET FORESTIERS
(R.S.Q., c. A-29.1)

REVENUE AND EXPENDITURE AND SURPLUS
for the year ended March 31, 2002
(in thousand of dollars)

	2002	2001
REVENUE		
Insurance charges (Note 3)	4	12 899
Investment income (Note 4)	4 742	4 560
	4 746	17 459
EXPENDITURE		
Allowance for loan guarantees (Note 5)	8 582	17 240
(DEFICIENCY) EXCESS REVENUE OVER EXPENDITURE	(3 836)	219
SURPLUS, BEGINNING OF YEAR	12 400	12 181
SURPLUS, END OF YEAR	8 564	12 400

FONDS D'ASSURANCE-PRÊTS AGRICOLES ET FORESTIERS

BALANCE SHEET
as at March 31, 2002
(in thousand of dollars)

	2002	2001
ASSETS		
Current assets		
Cash on hand	4	2
Investment income receivable	579	268
Insurance fees receivable		2 093
	583	2 363
Fund entrusted to the Caisse de dépôt et placement du Québec (Note 6)	82 856	81 284
	83 439	83 647
LIABILITIES		
Current liabilities		
Net gains deferred to the sale of investments (Note 7)	2 769	3 415
Gouvernement du Québec advances – interest-free and without repayment terms	10 000	10 000
Allowance for loan guarantees (Note 5)	62 106	57 832
	74 875	71 247
SURPLUS	8 564	12 400
	83 439	83 647

INSURED LOANS (Note 8)

On behalf of the Board of Directors,
André Dicaire, President and Chief Executive Officer
Laurent Pellerin, Chairman of the Board

FONDS D'ASSURANCE-PRÊTS AGRICOLES ET FORESTIERS

CASH FLOWS
for the year ended March 31, 2002
(in thousand of dollars)

	2002	2001
OPERATING ACTIVITIES		
(Deficiency) excess revenue over expenditure	(3 836)	219
Elements not affecting cash flows		
Provision for loan guarantee	8 582	17 240
Amortization of realized and unrealized gains and losses on investments	(531)	(511)
(Losses) gains realized on amounts invested by the Caisse	(12)	897
	4 203	17 845
Change in non-cash elements linked to operations		
Investment income receivable	(311)	477
Insurance fees receivable	2 093	(2 093)
Repayment of loans to lenders	(4 381)	(4 104)
Recovery of losses	73	7
	(2 526)	(5 713)
Cash flows related to operating activities	1 677	12 132
INVESTMENT ACTIVITIES		
Funds entrusted to the Caisse de dépôt et placement du Québec		
Acquisition of participation deposit units	(11 668)	(12 992)
Disposal of participation deposit units	11 864	685
Cash flows related to investment activities	196	(12 307)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1 873	(175)
(SHORTFALL) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(88)	87
CASH AND CASH EQUIVALENTS (SHORTFALL) AT YEAR-END	1 785	(88)

Cash and cash equivalents at year-end include:

	2002	2001
Cash	4	2
Demand deposits	1 781	(90)
	1 785	(88)

NOTES TO FINANCIAL STATEMENTS
March 31, 2002
(in thousand of dollars)

1. CONSTITUTION AND PURPOSE

A legal person within the meaning of the Civil Code, the Fonds d'assurance-prêts agricoles et forestiers was established under the Act respecting farm-loan insurance and forestry-loan insurance (R.S.Q., c. A-29.1). It guarantees a lender the repayment of losses in principal and interest resulting from a farm loan or a forestry loan granted on or after August 1, 1978 and of expenses allowable by regulation that are incurred by the lender to protect his securities or claim or obtain from the defaulting debtor the sums owing to him or that have become payable on the loan.

2. ACCOUNTING POLICIES

The Fonds' financial statements were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Funds Entrusted to the Caisse de dépôt et placement du Québec

Participation deposits are recorded at cost plus an adjustment established according to the market-related value. This adjustment represents the annual fluctuations in the market value of these amortized at an annual rate of 9.09% using the straight-line method. This rate was established considering the average remaining loan period for secured loans.

Net gains deferred to the sale of investments

Gains and losses on participation deposits are recorded and amortized at an annual rate of 9.09% using the straight-line method. This rate was established considering the average remaining loan period for secured loans.

Allowance for loan guarantees

As a guarantor, the Fonds is exposed to the economic uncertainties and risks inherent in agriculture and forestry. If the agricultural economic conditions used to estimate the required allowance were to change, the real losses on guaranteed loans may differ from the estimates made.

The general allowance is established using the loss discount method considering a failure rate, mean losses according to the duration of the term of each guaranteed loan at the fiscal year-end and an annual discount rate of 6%. This allowance includes a margin for unfavourable variances of 15% for long-term loans and 10% for short- and medium-term loans in keeping with Canadian Institute of Actuaries standards.

The specific allowance is established based on a case-by-case analysis of the loans insured as at March 31, 2002 for which the amount in arrears has been owing for more than 180 days or when circumstances make the possibility of one day collecting the capital and interest doubtful. The specific allowance represents the balance of the loan guarantee adjusted by the guarantees' realizable value.

Cash and cash equivalents

The Fonds' policy consists in presenting under cash and cash equivalents bank balances and short-term investments maturing within three months of the date they were acquired.

3. INSURANCE CHARGES

Insurance charges are paid by La Financière agricole du Québec for farm financing and by the Gouvernement du Québec for forestry financing. They correspond to 1.43% of the authorized amount of loans for which the first instalment was paid to the lender during the previous fiscal year and 1.25% of the balance of credit adjudication granted by the lender as at March 31 of the previous year.

For fiscal 2001-2002, the Gouvernement du Québec authorized La Financière agricole du Québec to stop contributing to the Fonds d'assurance-prêts agricoles et forestiers for farm financing so that this amount could be appropriated for constituting part of the start-up capital-stock of Capital Financière agricole inc.

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002
(in thousand of dollars)

4. INVESTMENT REVENUES

Investment revenues break down as follows:

	2002	2001
Interest on bank deposits	4	3
Interest on demand deposits	42	33
Revenue from participation deposits	4 696	4 524
	4 742	4 560

5. ALLOWANCE FOR LOAN GUARANTEES

	2002	2001
Opening balance	57 832	44 689
Reimbursement of losses to lenders	(4 381)	(4 104)
Recovery of losses	73	7
Change in allowance – expenditure	8 582	17 240
Closing balance	62 106	57 832
Specific allowance	12 691	12 067
General allowance	49 415	45 765
Closing balance	62 106	57 832

The allowance for loan guarantees is established in relation to the overall portfolio of loans insured as at March 31, 2002, totalling $3 984.7 million (2001: $3 719,4 million). As at March 31, 2002, insured loans covered by a specific allowance amount to $29 million (2001: $26 million).

6. FUNDS ENTRUSTED TO THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

Participation deposits are invested in a specific fund according to La Financière agricole's investment policy and are expressed in units. These units are repayable with advance notice according to the terms of the Caisse's regulations, at the market value of the net equity of the specific fund at the end of each month. Demand deposits are placed in a specific Caisse de dépôt et placement du Québec fund.

	2002	2001
Participation deposits		
Cost of units	80 838	81 034
Cumulated adjustment of the difference between market value and acquisition cost	237	340
	81 075	81 374
Demand deposits	1 781	(90)
	82 856	81 284

6. FUNDS ENTRUSTED TO THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC (cont'd)

At March 31, 2002, the market value of the 71 508 participation deposits units (2001: 71 607) was $79 705 thousand (2001: $81 361 thousand).

7. NET GAINS DEFERRED TO THE SALE OF INVESTMENTS

	2002	2001
Opening balance	3 415	3 000
(Losses) gains realized during the fiscal year	(12)	897
Portion posted to revenue for the fiscal year	(634)	(482)
Closing balance	2 769	3 415

8. INSURED LOANS

The balance in principal and interest on loans for which the Fonds has insured repayment of losses and related expenses and breaks down as follows:

	2002	2001
Farm financing	3 935 020	3 689 880
Forestry financing	49 658	29 494
	3 984 678	3 719 374

9. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements, measured at exchange value, the Fonds is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Fonds did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. The main related party transaction was as follows:

Insurance fees for forestry financing	137

FONDS D'ASSURANCE-PRÊTS AGRICOLES ET FORESTIERS

MANAGEMENT'S REPORT

The financial statements of the Fonds d'assurance-prêts agricoles et forestiers were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Fonds recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it. At least every four years, the Fonds must perform an actuarial analysis of its operations and collate all information useful for setting insurance fee rates.

The board of directors oversees the manner in which management performs its financial reporting duties, and has approved the financial statements. It is assisted in its responsibilities by the audit committee, whose members are not management. This committee meets with management and the auditor, examines the financial statements and recommends their approval to the board of directors.

The Auditor General of Québec has audited the Fonds' financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the audit committee to discuss any matter related to the audit.

André Dicaire
President and Chief Executive Officer

Sylvie Grondin, CGA
Vice-President, Corporate Affairs

Montréal, August 5, 2002

FONDS D'ASSURANCE-PRÊTS AGRICOLES ET FORESTIERS

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Fonds d'assurance-prêts agricoles et forestiers as at March 31, 2002 and the statements of revenue and expenditure and surplus and cash flows for the year then ended. These financial statements are the responsibility of Fonds management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used, the significant estimates made by management, and the financial statements' overall presentation.

In my opinion, these financial statements present, in all material respects, the Fonds' financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting policies principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, August 5, 2002

FONDS DE LA RECHERCHE EN SANTÉ DU QUÉBEC
(R.S.Q., c. M-19.1.2)

REVENUE AND EXPENDITURE
for the year ended March 31, 2002

	2002	2001
SCHOLARSHIPS AND GRANTS		
REVENUE		
Subsidies (Note 3)	$79 663 364	$64 375 171
Interest and other revenue (Note 4)	592 869	976 448
	80 256 233	65 351 619
SCHOLARSHIPS AND GRANTS AWARDED (Note 5)	80 198 791	65 229 527
EXCESS REVENUE OVER EXPENDITURE FOR OPERATING ACTIVITY	57 442	122 092
OPERATIONS		
REVENUE		
Subsidies (Note 6)	3 555 278	2 307 966
Interest and other revenue	530 271	413 424
	4 085 549	2 721 390
OPERATING EXPENSES (Note 7)	4 067 674	2 713 904
EXCESS REVENUE OVER EXPENDITURE FOR OPERATING ACTIVITY	17 875	7 486
EXCESS REVENUE OVER EXPENDITURE	$75 317	$129 578

SURPLUS
for the year ended March 31, 2002

	2002	2001
SURPLUS (DEFICIT), BEGINNING OF YEAR	$93 179	$(768 354)
Excess revenue over expenditure	75 317	129 578
Subsidies from the Ministère de la Recherche, de la Science et de la Technologie to absorb part of accumulated deficit for the awarding of scholarships and grants		731 955
SURPLUS, END OF YEAR	$168 496	$93 179

FONDS DE LA RECHERCHE EN SANTÉ DU QUÉBEC

BALANCE SHEET
as at March 31, 2002

	2002	2001
ASSETS		
Current assets		
Cash on hand	$1 140 785	$9 269 952
Term deposits (1.95% to 2.05%)	9 482 100	1 176 000
Accrued interest	13 513	23 391
Accounts receivable (Note 8)	11 988 398	738 380
Prepaid expenses	149 152	134 561
	22 773 948	11 342 284
Fixed assets (Note 9)	1 042 022	731 057
	$23 815 970	$12 073 341
LIABILITIES		
Current liabilities		
Scholarships and grants payable (Note 10)	$16 602 325	$5 704 531
Accounts payable and accruals (Note 11)	775 431	166 764
Deferred revenue	3 551 471	3 722 138
	20 929 227	9 593 433
Deferred contributions	1 451 366	1 160 740
Special Research Fund (Note 12)	1 266 881	1 225 989
SURPLUS (Note 13)	168 496	93 179
	$23 815 970	$12 073 341

COMMITMENT (Note 15)

On behalf of the Board of Directors,
Michel Bureau
Marielle Gascon Barré

FONDS DE LA RECHERCHE EN SANTÉ DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

The Fonds de la recherche en santé du Québec is a corporation established under the Act to promote the advancement of science and technology in Québec (R.S.Q., c. D-9.1). Its purpose is to promote or provide financial support, through grants and scholarships, for research and for the training and advanced training of researchers in the field of health sciences. In addition, it implements the financial support programs that are under its authority pursuant to another act or, with the authorization of the Government and on the conditions it determines, the financial support programs under the authority of a Government department or public agency.

Under section 67 of the Act to promote the advancement of science and technology in Québec, the Fonds de la recherche en santé du Québec is an agent of the Gouvernement du Québec, and, as such, exempt from federal and provincial income tax.

2. ACCOUNTING POLICIES

The financial statements of the Fonds were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements. The statement of changes in financial position is not shown as it would not provide any useful supplementary information regarding the Fonds' cash flow during the year.

Scholarships and grants awarded

Scholarships and grants are entered when they are approved and the recipients have met the eligibility criteria. Scholarships and grants that are cancelled or recovered are recorded in the year in which they were cancelled or recovered.

Fixed assets

Fixed assets are recorded at acquisition cost and depreciated on a straight-line basis applicable for the estimated duration of their service life, i.e. 5 years for furniture and equipment, 3 years for computer equipment and software and for the remainder of the lease for leasehold improvements.

Deferred revenue

Subsidies appropriated by the Government for the awarding of scholarships and grants and the implementation of the information systems review program are deferred and recognized during the fiscal year when the expenses to which they are related are incurred.

Deferred contributions

Contributions received for the acquisition of depreciable fixed assets are deferred and entered in the statement of revenue and expenditure on the same terms as the depreciation of the related fixed assets.

Pension plans

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the Fonds lacks sufficient information to apply the accounting procedure for defined-benefit plans.

FONDS DE LA RECHERCHE EN SANTÉ DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

3. SUBSIDIES - SCHOLARSHIPS AND GRANTS

	2002	2001
Government		
Ministère de la Recherche, de la Science et de la Technologie du Québec	$69 586 395	$53 626 929
Régie de l'assurance-maladie du Québec	8 400 000	8 400 000
Ministère des Affaires internationales du Québec	13 690	28 548
Ministère de la Santé et des Services sociaux du Québec	313 901	416 587
Canadian Health Services Research Foundation	39 323	78 166
Société de l'assurance automobile du Québec	192 000	
Institut recherche Robert-Sauvé en santé et en sécurité du travail	20 000	
Fonds québécois de la recherche sur la nature et les technologies	10 000	
Fonds québécois de la recherche sur la société et la culture	10 000	
	78 585 309	62 550 230
Other	1 078 055	1 824 941
	$79 663 364	$64 375 171

4. INTEREST AND OTHER REVENUE SCHOLARSHIPS AND GRANTS

	2002	2001
Interest on bank and short-term deposits	$420 177	$738 460
Cancellations and recovery of scholarships and grants	172 692	237 988
	$592 869	$976 448

5. SCHOLARSHIPS AND GRANTS AWARDED

	2002	2001
Infrastructure subsidies	$50 574 173	$40 563 511
Research fellowships and national health scientists	15 922 031	16 299 739
Project subsidies	4 340 886	3 475 656
Training grants	8 259 253	3 026 059
Partnerships	1 102 448	1 864 562
	$80 198 791	$65 229 527

6. SUBSIDIES - OPERATIONS

	2002	2001
Operating subsidies – Ministère de la Recherche, de la Science et de la Technologie du Québec	$3 867 636	$2 704 100
Deferred contributions – Contribution for the acquisition of depreciable fixed assets	(560 720)	(576 750)
Deferred revenue – non-capitalizable computer plan expenses - net change	(30 710)	54 893
Deferred revenue – moving expenses - net change		(77 012)
Deferred contributions – capitalizable computer plan expenses - net change	20 339	(4 682)
Deferred contributions – Write-off of computer equipment		4 744
Deferred contributions – Write-off of equipment	17 632	
Amortization of deferred contributions	232 123	132 673
	3 546 300	2 237 966
Other	8 978	70 000
	$3 555 278	$2 307 966

7. OPERATING EXPENSES

	2002	2001
Salaries and fringe benefits	$1 800 155	$1 456 496
Professional fees	177 567	122 446
Travelling and accommodation expenses	272 501	340 207
Office space	418 465	265 647
Office expenses	806 882	148 026
Maintenance and repairs	342 349	246 815
Depreciation of furniture and equipment	8 400	8 253
Depreciation of data processing equipment and software	209 816	92 555
Amortization of leasehold improvements	13 907	31 865
Loss on write-off of computer equipment		1 594
Loss on write-off of equipment	17 632	
	$4 067 674	$2 713 904

8. ACCOUNTS RECEIVABLE

	2002	2001
Ministère de la Recherche, de la Science et de la Technologie du Québec	$11 608 166	
Fonds québécois de la recherche sur la nature et les technologies	20 830	$184 851
Ministère de la Santé et des Services sociaux du Québec		189 574
Other	359 402	363 955
	$11 988 398	$738 380

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

9. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net	Net
Furniture and equipment	$120 344	$24 353	$95 991	$27 746
Leasehold improvements	184 558	13 907	170 651	154 999
Data processing equipment and software	1 066 333	290 953	775 380	548 312
	$1 371 235	$329 213	$1 042 022	$731 057

Disbursements related to the acquisition of fixed assets totalled $560 720 (2001: $576 750). Revenues from the disposition of fixed assets was zero (2001: $3 150) and the related loss also zero (2001: $1 594).

10. SCHOLARSHIPS AND GRANTS PAYABLE

	2002	2001
Fonds québécois de la recherche sur la société et la culture	$845 242	
Fonds québécois de la recherche sur la nature et les technologies	8 842 351	
Other	6 914 732	$5 704 531
	$16 602 325	$5 704 531

11. ACCOUNTS PAYABLE AND ACCRUALS

	2002	2001
Fonds québécois de la recherche sur la nature et les technologies	$595 870	
Other	179 561	$166 764
	$775 431	$166 764

12. SPECIAL RESEARCH FUND

This item represents amounts received from private firms for the establishment of a special research fund.

Under agreements, 86% of the interest generated by this fund shall be used for grants for research fellowships in pharmacology and hypertension. Also, 4% of the interest is paid to the Fonds de la recherche en santé du Québec as administrative expenses and the balance, i.e. 10%, is allocated to the capital.

12. SPECIAL RESEARCH FUND (cont'd)

The amounts are distributed as follows:

	2002	2001
Pharmacology		
Capital	$447 975	$445 804
Accumulated interest	197 578	178 911
	645 553	624 715
Hypertension		
Capital	540 401	538 312
Accumulated interest	80 927	62 962
	621 328	601 274
	$1 266 881	$1 225 989

Changes in Fund Balance
for the year ended March 31, 2002

	2002	2001
Opening balance	$1 225 989	$1 161 158
Increase		
Interest on term deposits	42 596	67 532
Decrease		
Administrative expenses – Fonds de la recherche en santé du Québec	1 704	2 701
Closing balance	$1 266 881	$1 225 989

Balance Sheet
as at March 31, 2002

	2002	2001
Assets		
Current assets		
Cash on hand	$1 485	$1 228 690
Term deposits (2.00%)	1 267 100	
	$1 268 585	$1 228 690
Liabilities		
Current liabilities		
Administrative expenses payable	$1 704	$2 701
Fund balance	1 266 881	1 225 989
	$1 268 585	$1 228 690

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

13. SURPLUS

	2002	2001
Scholarships and grants	$149 680	$92 238
Operations	18 816	941
	$168 496	$93 179

14. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its statements, and measured at exchange value, the Fonds is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Fonds did not conclude any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

15. COMMITMENT

The Fonds is committed under long-term leases whose maturity dates vary until June 30, 2011 for administrative offices. These leases include a 10-year renewal option.

Lease payments for the year ended March 31, 2002 amount to $438 850. The minimum lease payments for the next four fiscal years are as follows:

2003	$364 339
2004	399 006
2005	404 886
2006	477 238
2007	504 581
2008 and thereafter	2 440 609
	$4 590 659

16. FUTURE FRINGE BENEFITS

Pension plan

The staff members of the Fonds participate in the Government and Public Employees Retirement Plan (RREGOP) and the Pension Plan of Management Personnel (PPMP). These are interenterprise defined-benefit plans and include guaranteed payments upon retirement and death.

The Fonds' contributions charged to the year-end statement amount to $32 927 (2001: $18 776). The liability of the Fonds towards these Government plans is restricted to its contributions as an employer.

17. COMPARATIVE FIGURES

Certain 2001 figures were reclassified for consistency with the presentation adopted in 2002.

FONDS DE LA RECHERCHE EN SANTÉ DU QUÉBEC

MANAGEMENT'S REPORT

The financial statements of the Fonds de la recherche en santé du Québec were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing the appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Fonds recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors oversees the manner in which management performs its financial reporting duties, and has approved the financial statements. It is assisted by the finance committee, whose members are not management. The finance committee meets with management and the auditor, reviews the financial statements and recommends their approval to the board of directors.

The Auditor General of Québec has audited the Fonds' financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the finance committee to discuss any matter related to the audit.

Michel Bureau
President and Chief Executive Officer

Claude Brouillette
Director, Administrative Services
and Assistant to the Chief Executive Officer

Montréal, May 31, 2002

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Fonds de la recherche en santé du Québec as at March 31, 2002 and the statements of revenue and expenditure and surplus for the year then ended. These financial statements are the responsibility of Fonds management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Fonds' financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, May 31, 2002

FONDS D'INDEMNISATION DU COURTAGE IMMOBILIER
(R.S.Q., c. C-73.1)

REVENUE AND EXPENDITURE AND SURPLUS
for the year ended December 31, 2001

	2001	2000
REVENUE		
Dues	$190 650	$188 560
Investment income	254 787	235 010
	445 437	423 570
EXPENDITURE		
Indemnities (Note 4)	145 860	(42 562)
Management fees	76 833	72 000
Professional fees	22 752	15 990
Travel and accommodation expenses	7 025	11 385
Directors' fees	5 490	10 456
Publications	14 327	5 487
Office expenses	8 726	29 393
	281 013	102 149
EXCESS REVENUE OVER EXPENDITURE	164 424	321 421
SURPLUS, BEGINNING OF YEAR	3 992 722	3 671 301
SURPLUS, END OF YEAR	$4 157 146	$3 992 722

FONDS D'INDEMNISATION DU COURTAGE IMMOBILIER

BALANCE SHEET
as at December 31, 2001

	2001	2000
ASSETS		
Current assets		
Cash on hand	$46 170	$18 651
Investments (Note 3)	4 216 633	3 960 140
Accounts receivable	152 891	155 572
Accrued interest	70 837	70 528
Prepaid expenses	3 998	1 372
	$4 490 529	$4 206 263
LIABILITIES		
Current liabilities		
Accounts payable and accruals	$27 203	$32 011
Revenue collected in advance	157 220	148 430
Allowance for indemnities (Note 4)	148 960	33 100
	333 383	213 541
SURPLUS (Note 5)	4 157 146	3 992 722
	$4 490 529	$4 206 263

On behalf of the Board of Directors,
Lise Légaré
Raymond Desbiens

FONDS D'INDEMNISATION DU COURTAGE IMMOBILIER

NOTES TO FINANCIAL STATEMENTS
December 31, 2001

1. CONSTITUTION AND PURPOSE

The Fonds d'indemnisation du courtage immobilier was established under the Real Estate Brokerage Act (R.S.Q., c. C-73.1) to administer a fund to guarantee the liability that may be incurred by a broker or an agent owing to fraud, dishonest transactions, or misappropriation of funds or other property to be held in a trust account.

The Fonds is constituted, in part, of dues paid by members of the Association des courtiers et agents immobiliers du Québec.

2. ACCOUNTING POLICIES

The financial statements of the Fonds were prepared by management in accordance with accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements. The statement of financial position is not shown as it would not provide any useful additional information regarding the Fonds' cash flow during the year.

Investments

Bonds are entered at amortized cost. Discounts and premiums are amortized according to the straight-line method over the remaining term of each bond certificate. Amortization of bond discounts and premiums is entered as investment income.

3. INVESTMENTS

At December 31, 2001, the market value of investments is $4 431 204 (December 31, 2000: $4 087 375). These investments bear interest at rates varying between 5.2% and 9.5%.

4. PROVISION FOR CLAIMS

The Fonds' policy, on receiving a duly sworn claim, is to provide for the amount claimed to a maximum of $15 000 and to maintain the provision until the board of directors' final decision.

This year, two claims were paid for a total of $30 000.

	2001	2000
Opening balance	$33 100	$87 387
Payments for the year	30 000	11 725
	3 100	75 662
Provision for claim for the year	148 960	20 600
Cancellation of claims from past years	(3 100)	(63 162)
	145 860	(42 562)
Closing balance	$148 960	$33 100

5. SURPLUS

Pursuant to the Regulation respecting the Fonds d'indemnisation du courtage immobilier, the Minister responsible for the administration of the Real Estate Brokerage Act may authorize the Fonds' board of directors to utilize, under certain conditions, interest yielded on the sums of money constituting the Fonds for purposes related to brokerage and promoting public protection. At December 31, 2001, the surplus, which includes all interest earned since the establishment of the Fonds, amounts to $2 000 752 (December 31, 2000: $1 745 965).

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001

6. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements, the Fonds is a related party to all government, departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Fonds did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

MANAGEMENT'S REPORT

The financial statements of the Fonds d'indemnisation du courtage immobilier were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Fonds recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors must oversee the manner in which management performs its financial reporting duties, and has approved the financial statements.

The Auditor General of Québec has audited the Fonds' financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the board of directors to discuss any matter related to the audit.

Claude Barsalou
Fund Secretary

Vo-Long Truong
Fund Comptroller

Montréal, March 1, 2002

FONDS D'INDEMNISATION DU COURTAGE IMMOBILIER

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Fonds d'indemnisation du courtage immobilier as at December 31, 2001 and the statement of revenue and expenditure and surplus for the year then ended. These financial statements are the responsibility of Fonds management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Fonds' financial position as at December 31, 2001 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, March 1, 2002

FONDS NATIONAL DE FORMATION DE LA MAIN-D'ŒUVRE
(R.S.Q., c. D-7.1)

REVENUE AND EXPENDITURE AND SURPLUS
for the year ended March 31, 2002
(in thousands of dollars)

	2002	2001
REVENUE		
Employer contributions (Note 3)	37 054	39 533
Fees and charges	697	767
Interest	1 971	3 499
	39 722	43 799
EXPENDITURE		
Subsidies to employers	47 264	22 792
Management fees (Note 4)	6 217	4 425
Promotion and advertising	150	170
Contribution collection fees	677	633
Depreciation of fixed assets	6	2
Amortization of deferred expenses	124	124
	54 438	28 146
EXCESS EXPENDITURE OVER REVENUE	(14 716)	15 653
SURPLUS, BEGINNING OF YEAR	88 882	73 229
SURPLUS, END OF YEAR	74 166	88 882

FONDS NATIONAL DE FORMATION DE LA MAIN-D'OEUVRE

BALANCE SHEET
as at March 31, 2002
(in thousands of dollars)

	2002	2001
ASSETS		
Current assets		
Advance from the Consolidated Revenue Fund (Note 5)	55 059	67 715
Employer contributions receivable	24 465	24 224
Accounts receivable (Note 6)	624	1 298
	80 148	93 237
Fixed assets (Note 7)	11	15
Deferred expenses	31	155
	80 190	93 407
LIABILITIES		
Current liabilities		
Accounts payable and accruals	6 024	4 525
SURPLUS	74 166	88 882
	80 190	93 407

COMMITMENTS (Note 8)

Yvon Boudreau
Associate Deputy Minister - Emploi-Québec

André Trudeau
Deputy Minister
Ministère de l'Emploi et de la Solidarité sociale

NOTES TO FINANCIAL STATEMENTS
March 31, 2002
(in thousands of dollars)

1. CONSTITUTION AND PURPOSE

The Fonds national de formation de la main-d'oeuvre was established under the Act to foster the development of manpower training (R.S.Q., c. D-7.1). Its purpose is to promote and support measures and initiatives related to manpower training.

2. ACCOUNTING POLICIES

The Fonds' financial statements were prepared in accordance with generally accepted accounting principles. These statements include amounts based on best judgements and estimates. The cash flow statement is not shown as it would not provide any useful supplementary information regarding the Fonds' cash position during the year.

Employer contributions

Under the Act to foster the development of manpower training, employers are required to pay a contribution to the Fonds national de formation de la main-d'oeuvre, corresponding to the difference between the minimum participation and eligible training expenditures for the calendar year. These employer contributions, which are collected by the Minister of Revenue on behalf of the Fonds, are recorded on the basis of the amount reported by the employers for the preceding calendar year and are subject to audit and adjustment. Where applicable, adjustments are posted to employer contribution revenue during the fiscal year in which they are known.

Employer subsidies

Subsidies related to the resource allocation plan of the Fonds national de formation de la main-d'oeuvre are recorded when they are authorized by the Fonds and when employers have met the eligibility criteria defined in the agreements, where applicable.

Fixed assets

Fixed assets are recorded at acquisition cost and amortized using the straight-line method over a period of:

Data processing equipment	3 years

Deferred expenses

The cost of implementing systems for collecting employer contributions are recorded at cost and amortized using the straight-line method at an annual rate of 20%.

3. EMPLOYER CONTRIBUTIONS

Revenues related to employer contributions break down as follows:

	2002	2001
Amount declared for the year	24 395	23 976
Amount related to previous years	12 659	15 557
	37 054	39 533

4. MANAGEMENT FEES

As stipulated in the Act to foster the development of manpower training, the Commission des partenaires du marché du travail restricted the amounts that could be taken from the Fund for remuneration and expenses related to fringe benefits and other working conditions of employees involved in the application of chapters II and III of the Act. The amounts correspond to the salaries and fringe benefits of 90 FTEs for the fiscal year ended March 31, 2002 (75 in 2001). These individuals are responsible for the information, promotion and enforcement of the Act and its regulations and for the administration of the Fund.

Management fees received free of charge from the Ministère de l'Emploi et de la Solidarité sociale are not presented in the Fund's financial statements.

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002
(in thousands of dollars)

5. ADVANCE FROM THE CONSOLIDATED REVENUE FUND

The advance bears interest at the reduced bank prime rate of 2.5% and includes no terms and conditions of repayment.

6. ACCOUNTS RECEIVABLE

	2002	2001
Interest receivable – Consolidated Revenue Fund	200	836
Labour Market Development Fund	421	459
Other	3	3
	624	1 298

7. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net	Net
Data processing equipment	19	8	11	15

8. COMMITMENTS

In addition to the employer subsidies recorded during the fisca year, on March 31, 2002, the Fund is committed to paying them $26 087 624. This amount will be recorded when the eligibility criteria indicated in the agreement have been met.

9. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements and recorded at exchange value, the Fonds is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Fonds did not carry out any business transactions with these relatedparties other than during the normal course of its activities and under normal business conditions. These transactions are not shwn separately in the financial statements.

FONDS NATIONAL DE FORMATION DE LA MAIN-D'OEUVRE

MANAGEMENT'S REPORT

The financial statements of the Fonds national de formation de la main-d'oeuvre were drawn up by the management, which is responsible for their preparation, presentation and significant judgements and estimates. This responsibility includes the choice of the accounting policies that comply with generally accepted accounting principles.

To fulfil its mandate, the management maintains a system of internal accounting controls designed to give reasonable assurance that assets are safeguarded and that the transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

Fonds management recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The Auditor General of Québec has audited the Fonds' financial statements, in accordance with generally accepted auditing standards. His report states the nature and scope of his audit and his opinion. The Auditor General was able, without restriction, to meet with the Fonds' management to discuss any matter related to the audit.

Yvon Boudreau
Associate Deputy Minister - Emploi-Québec

André Trudeau
Deputy Minister
Ministère de l'Emploi et de la Solidarité sociale

Québec, July 12, 2002

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Fonds national de formation de la main-d'oeuvre as at March 31, 2002 and the statement of revenue and expenditure and surplus for the year then ended. These financial statements are the responsibility of Fonds management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Fonds' financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding fiscal year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, July 12, 2002

FONDS QUÉBÉCOIS DE LA RECHERCHE SUR LA NATURE ET LES TECHNOLOGIES
(R.S.Q., c. M-19.1.2)

REVENUE AND EXPENDITURE AND SURPLUS
for the ten-month period ended March 31, 2002

	2002
SUBSIDIES FROM THE GOUVERNEMENT DU QUÉBEC AND OTHER AGENCIES (Note 3)	
Research grants	$23 167 064
Scholarships	9 507 524
Operating expenses of the Fonds	3 931 480
	36 606 068
INTEREST AND OTHER REVENUE	1 626 247
	38 232 315
GRANTS AND SCHOLARSHIPS AWARDED	
Research grants	23 167 064
Scholarships	9 507 524
	32 674 588
	5 557 727
OPERATING EXPENSES (Note 4)	4 079 553
EXCESS REVENUE OVER EXPENDITURE	1 478 174
SURPLUS, BEGINNING OF YEAR	2 373 580
SURPLUS, END OF YEAR	$3 851 754

FONDS QUÉBÉCOIS DE LA RECHERCHE SUR LA NATURE ET LES TECHNOLOGIES

BALANCE SHEET
as at March 31, 2002

	March 31 2002	May 31 2001
ASSETS		
Current assets		
Cash on hand		$812 480
Accrued interest	$5 650	39 881
Subsidies and other accounts receivable (Note 5)	45 771 400	2 284 516
Prepaid expenses	44 880	8 087 152
	45 821 930	11 224 029
Sums held on behalf of granting agencies (Note 6)	4 607 212	5 662 108
Fixed assets (Note 7)	569 809	327 501
	$50 998 951	$17 213 638
LIABILITIES		
Current liabilities		
Bank overdraft	$1 769 164	
Bank borrowing (Note 8)	8 900 000	
Grants and scholarships payable (Note 9)	22 724 412	$1 536 290
Accounts payable et accruals (Note 10)	918 365	474 637
Deferred subsidies from agencies	1 101 636	1 395 869
Deferred Government subsidies	7 120 758	5 746 589
	42 534 335	9 153 385
Amounts payable on behalf of granting agencies (Note 6)	4 612 862	5 686 673
	47 147 197	14 840 058
SURPLUS	3 851 754	2 373 580
	$50 998 951	$17 213 638

COMMITMENTS (Note 11)

On behalf of the Board of Directors,
Sylvie Dillard
Lucie Girard

FONDS QUÉBÉCOIS DE LA RECHERCHE SUR LA NATURE ET LES TECHNOLOGIES

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

The Fonds québécois de la recherche sur la nature et les technologies, established under the Act respecting the Ministère de la Recherche, de la Science et de la Technologie (R.S.Q., c. M-19.1.2) replaces the Fonds pour la formation de chercheurs et l'aide à la recherche, a corporation established under the Act to promote the advancement of science and technology in Québec (R.S.Q., c. D-9.1). The purpose of the Fonds is to promote and provide financial assistance for research and dissemination of knowledge in the natural sciences, mathematics and engineering; for research training by granting proficiency scholarships to graduate students and individuals conducting post-graduate research, professional development scholarships to those wishing to re-enter research circles and subsidies to enable college professors involved in research activities to reduce their teaching load. Further, the Fonds manages, for itself, for the Fonds de la recherche en santé du Québec and for the Fonds québécois de la recherche sur la société et la culture, graduate student scholarships programs and subsidy programs designed to release professors from their teaching duties. It establishes all necessary partnerships, notably with universities, colleges, the industry, government departments and the public and private organizations concerned.

Under the act respecting the Ministère de la Recherche, de la Science et de la Technologie, amended on June 21, 2001, the Fonds québécois de la recherche sur la nature et les technologies replaces the Fonds pour la formation de chercheurs et l'aide à la recherche, assuming its rights and obligations, subject to the rights and obligations related to the duties that are henceforth attributed to the Fonds de la recherche en santé du Québec or the Fonds québécois de la recherche sur la société et la culture. At this date, the Fonds pour la formation de chercheurs et l'aide à la recherche transferred all of its net assets to the Fonds québécois de la recherche sur la nature et les technologies. The comparative balance sheet presented in the financial statements is that of the Fonds pour la formation de chercheurs et l'aide à la recherche as at May 31, 2001. However, no comparative statement of revenues and expenditures and surplus has been presented since the activities now attributed to the Fonds de la recherche en santé du Québec or the Fonds québécois de la recherche sur la société et la culture result in the figures not being comparable.

2. ACCOUNTING POLICIES

The financial statements of the Fonds were prepared by management in accordance with accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements. The statement of changes in financial position is not shown, as it would not provide any useful additional information regarding the Fonds' cash flow during the year.

Subsidies from the Gouvernement du Québec and other agencies

Subsidies from the Gouvernement du Québec and other agencies are accounted for as products of the fiscal year during which the related expenses were incurred.

Grants and scholarships awarded

Grants and scholarships are recorded once they have been authorized and the recipients have met the eligibility criteria. Cancellations or reimbursement of grants and scholarships awarded are recorded in the fiscal year in which they are cancelled or cashed.

Fixed assets

Fixed assets are recorded at cost and amortized over the duration of their service life using the straight-line method at the following rates:

	Rate
Office furniture	20%
Data processing equipment	33 1/3%
Leasehold improvements	20%

3. SUBSIDIES FROM THE GOUVERNEMENT DU QUÉBEC AND OTHER AGENCIES

	2002
Ministère de la Recherche, de la Science et de la Technologie:	
Research grants	$20 336 902
Scholarships	9 507 524
Operating expenses of the Fonds	3 489 657
	33 334 083
Other departments and agencies:	
Research grants	2 830 162
Operating expenses of the Fonds	441 823
	3 271 985
	$36 606 068

4. OPERATING EXPENSES OF THE FONDS

	2002
Salaries and fringe benefits	$2 342 765
Travelling accommodation expenses of committee members	198 777
Transportation and communications	323 857
Professional, administrative and other services	592 762
Rent and business taxes	146 074
Maintenance and repairs	140 743
Office expenses	32 668
Depreciation of fixed assets	301 907
	$4 079 553

5. SUBSIDIES AND OTHER ACCOUNTS RECEIVABLE

	March 31 2002	May 31 2001
Fonds québécois de la recherche sur la société et la culture	$18 454 715	
Ministère de la Recherche, des Sciences et de la Technologie	15 641 303	
Fonds de la recherche en santé du Québec	9 594 575	
Other	2 080 807	$2 284 516
	$45 771 400	$2 284 516

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

6. SUMS HELD ON BEHALF OF GRANTING AGENCIES

Under agreements entered into with a few agencies, the Fonds assumes certain operations related to the allocation of research grants in specific fields. The Fonds acts solely as an intermediary by providing expertise in this matter. Except for management fees, these operations are not shown in the Fonds' operating results.

The operations assumed under these agreements are as follows:

	Research fields			
	Environment	Highway safety	Optical development	Total
Opening balance	$2 901 194	$127 935	$2 657 544	$5 686 673
Increase				
Interest on bank deposits	74 981		75 054	150 035
	2 976 175	127 935	2 732 598	5 836 708
Decrease				
Research grants	939 401	37 490	160 305	1 137 196
Repayments to agencies				
Management fees deposited in the Fonds	20 000		66 650	86 650
	959 401	37 490	226 955	1 223 846
Closing balance	$2 016 774	$90 445	$2 505 643	$4 612 862

These amounts break down as follows:

Amounts held for subsidizing agencies - cash	$4 607 212
Accrued interest	5 650
	$4 612 862

7. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net	Net
Office furniture	$171 331	$145 339	$25 992	$32 780
Data processing equipment	1 910 328	1 389 392	520 936	277 147
Leasehold improvements	93 846	70 965	22 881	17 574
	$2 175 505	$1 605 696	$569 809	$327 501

Disbursements related to acquisitions for the fiscal year are $544 215 (2001 – $348 078).

8. BANK BORROWING

The Fonds has an authorized credit margin of $10 000 000, renewable annually on May 31, with the Financing Fund. The amounts used bear interest daily at the rate corresponding to the average bank acceptances rate in a given month plus 0.3%.

9. GRANTS AND SCHOLARSHIPS PAYABLE

	March 31 2002	May 31 2001
Fonds québécois de la recherche sur la société et la culture	$3 217 537	
Fonds de la recherche en santé du Québec	138 063	
Other	19 368 812	$1 536 290
	$22 724 412	$1 536 290

10. ACCOUNTS PAYABLE AND ACCRUALS

	March 31 2002	May 31 2001
Fonds de la recherche en santé du Québec	$195 493	
Accrued interest	41 144	
Suppliers	681 728	$474 637
	$918 365	$474 637

11. COMMITMENTS

a. Grants and scholarships

At March 31, 2002, the Fonds' commitments totlled $70 063 790 (2001 – $34 517 488) for grants and $19 641 707 (2001 – $52 482 039) for scholarships. Awarding of thse grants and scholarships, however, depends on the funds allocated by Parliament.

b. Long- term lease

The Fonds is committed under a long-term lease eding on September 30, 2004 for administrative offices. This lease includes a renewal option of 6 years plus 1 month.

Rental costs for the fiscal year ended March 31, 202 for these administrative offices are $133 880. Minimum future payments are as follows:

2003	$234 864
2004	117 432
	$352 296

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

12. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements at exchange value, the Fonds is a related party to all government, departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Fonds did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements

13. FUTURE FRINGE BENEFITS

Pension plan

The supplemental pension plan for staff members of the Fonds pour la formation de chercheurs et l'aide à la recherche is a defined-contribution plan. The liability of the Fonds towards this plan is restricted to its contributions as an employer. This plan will not pay benefits in excess of available funds.

Contributions charged to the year-end statement amount to $69 295 (2001: $75 046) and represent current service pension costs.

Vacation time

The expenses related to vacation time detail as follows:

	2002	2001
Opening balance	$205 137	$186 542
Vacation time earned during the year	136 129	158 446
Vacation time paid during the year	(158 000)	(139 851)
Closing balance	$183 266	$205 137

FONDS QUÉBÉCOIS DE LA RECHERCHE SUR LA NATURE ET LES TECHNOLOGIES

MANAGEMENT'S REPORT

The financial statements of the Fonds québécois de la recherche sur la nature et les technologies were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Fond recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors must oversee the manner in which management performs its financial reporting duties and has approved the financial statements.

The Auditor General of Québec has audited the Fonds' financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion.

Sylvie Dillard
President and Chief Executive Officer

Lucie Girard
Director of Administration and Evaluation

Québec, August 22, 2002

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Fonds québécois de la recherche sur la nature et les technologies as at March 31, 2002 and the statement of revenue and expenditure and surplus for the ten-month period then ended. These financial statements are the responsibility of Fonds management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Fonds' financial position as at March 31, 2002 and the application of subsidies and cash flows for the year then ended, in accordance with accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, C.A.
Acting Auditor General of Québec

Québec, August 22, 2002

FONDS QUÉBÉCOIS DE LA RECHERCHE SUR LA SOCIÉTÉ ET LA CULTURE
(R.S.Q., c. M-19.1.2)

REVENUE AND EXPENDITURE AND SURPLUS
for the nine-month period ended March 31, 2002

	2002
SUBSIDIES FROM THE GOUVERNEMENT DU QUÉBEC AND OTHER AGENCIES (Note 3)	
Research grants	$22 688 626
Scholarships	14 207 739
Operating expenses of the Fonds	2 899 160
	39 795 525
GRANTS AND SCHOLARSHIPS AWARDED	
Research grants	22 688 626
Scholarships	14 207 739
	36 896 365
	2 899 160
OPERATING EXPENSES (Note 4)	2 236 153
EXCESS REVENUE OVER EXPENDITURE AND SURPLUS, END OF YEAR	$663 007

FONDS QUÉBÉCOIS DE LA RECHERCHE SUR LA SOCIÉTÉ ET LA CULTURE

BALANCE SHEET
as at March 31, 2002

	2002
ASSETS	
Current assets	
Cash on hand	$430 724
Subsidies and other accounts receivable (Note 5)	35 644 389
Prepaid expenses	1 856 897
	37 932 010
Fixed assets (Note 6)	287 429
	$38 219 439
LIABILITIES	
Current liabilities	
Grants and scholarships payable (Note 7)	$26 565 873
Accounts payable et accruals (Note 8)	1 895 155
Deferred subsidies from agencies	999 330
Deferred Gouvernement du Québec subsidies	7 912 972
Instalment of long-term debt (Note 9)	32 547
	37 405 877
Long-term debt (Note 9)	150 555
	37 556 432
SURPLUS	663 007
	$38 219 439

COMMITMENTS (Note 10)

On behalf of the Board of Directors,
Louise Dandurand
Mireille Mathieu

FONDS QUÉBÉCOIS DE LA RECHERCHE SUR LA SOCIÉTÉ ET LA CULTURE

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

The Fonds québécois de la recherche sur la société et la culture was established by the Act respecting the Ministère de la Recherche, de la Science et de la Technologie (R.S.Q., c. M-19.1.2) on June 21, 2001. The Fonds' purpose is to promote and provide financial assistance for the development of research into and dissemination of knowledge in the social sciences, humanities, education, management, arts and literature; researcher training through the allocation of scholarships to graduate students and individuals doing post-doctoral research, the allocation of professional development bursaries for those wishing to re-enter research circles and the allocation of subsidies to lighten the workloads of college professors involved in research activities. It establishes all partnerships required, notably with the universities, colleges, cultural institutions, government departments and public and private organizations concerned.

2. ACCOUNTING POLICIES

The Fonds' financial statements were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements. The statement of changes in financial position is not shown, as it would not provide any useful supplementary information regarding the Fonds' cash flow during the year.

Subsidies from the Gouvernement du Québec and other organizations

Subsidies from the Gouvernement du Québec and other organizations are recorded as proceeds for the fiscal year in which the related expenses are incurred.

Grants and scholarships awarded

Grants and scholarships are recorded when authorized and when the recipients have met the eligibility criteria. Cancellations or repayments of grants and scholarships awarded are recorded in the fiscal year in which they are cancelled or cashed.

Fixed assets

Fixed assets are recorded at cost and amortized over the duration of their service life using the straight-line method at the following rates:

	Rate
Office furniture	20%
Data processing equipment	33 1/3%
Leasehold improvements	20%

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

3. SUBSIDIES FROM THE GOUVERNEMENT DU QUÉBEC AND OTHER AGENCIES

	2002
Ministère de la Recherche, de la Science et de laTechnologie:	
Research grants	$20 539 780
Scholarships	14 207 739
Operating expenses of the Fonds	2 812 808
	37 560 327
Other departments and agencies:	
Research grants	2 148 846
Operating expenses of the Fonds	86 352
	2 235 198
	$39 795 525

4. OPERATING EXPENSES OF THE FONDS

	2002
Salaries and fringe benefits	$837 452
Transportation and communications	211 840
Professional, administrative and other services	1 011 513
Rent	96 801
Maintenance and repairs	25 656
Office expenses	15 519
Depreciation of fixed assets	37 372
	$2 236 153

5. SUBSIDIES AND OTHER ACCOUNTS RECEIVABLE

	2002
Ministère de la Recherche, des Sciences et de la Technologie	$30 634 032
Fonds québécois de la recherche sur la nature et les technologies	3 217 537
Fonds de la recherche en santé du Québec	899 634
Other	893 186
	$35 644 389

6. FIXED ASSETS

	Cost	Accumulated depreciation	Net
Office furniture	$36 788	$6 131	$30 657
Data processing equipment	101 262	28 128	73 134
Leasehold improvements	186 751	3 113	183 638
	$324 801	$37 372	$287 429

FONDS QUÉBÉCOIS DE LA RECHERCHE SUR LA SOCIÉTÉ ET LA CULTURE

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

7. GRANTS AND SCHOLARSHIPS PAYABLE

	2002
Fonds québécois de la recherche sur la nature et les technologies	$17 071 087
Fonds de la recherche en santé du Québec	58 495
Other	9 436 291
	$26 565 873

8. ACCOUNTS PAYABLE ET ACCRUALS

	2002
Fonds québécois de la recherche sur la nature et les technologies	$1 383 628
Fonds de la recherche en santé du Québec	5 208
Suppliers	506 319
	$1 895 155

9. LONG-TERM DEBT

	2002
Note payable to the Société immobilière du Québec, fixed rate of 6.68%, repayable in semi-annual instalments of $3 649, maturing in February 2007	$183 102
Instalment due within one year	32 547
	$150 555

Payments of principal for the next five fiscal years are as follows:

2003	$32 547
2004	34 788
2005	37 185
2006	39 747
2007	38 835
	$183 102

10. COMMITMENTS

a. Grants and scholarships

As at March 31, 2002, Fonds commitments amount to $43 637 015 for grants and $24 653 039 for scholarships. Whether these grants and scholarships are awarded depends on the appropriations allotted by Parliament.

10. COMMITMENTS (cont'd)

b. Long-term lease

The Fonds is committed to a long-term lease for office space expiring September 30, 2004 and to an occupancy agreement expiring March 31, 2005 for administrative offices. The lease includes a renewal option for 6 years and one month.

Rental charges for the fiscal year ended March 31, 2002 for these administrative offices totalled $69 457. The minimum lease payments for the coming years are as follows:

2003	$134 773
2004	112 442
2005	90 112
	$337 327

11. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements, the Fonds is a related party to all government departments, special funds, and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Fonds did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

FONDS QUÉBÉCOIS DE LA RECHERCHE SUR LA SOCIÉTÉ ET LA CULTURE

MANAGEMENT'S REPORT

The financial statements of the Fonds québécois de la recherche sur la société et la culture were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Fond recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The Board of Directors must oversee the manner in which management performs its financial reporting duties, and has approved the financial statements.

The Auditor General of Québec has audited the Fonds' financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion.

Louise Dandurand
President and Chief Executive Officer

Lucie Girard
Director of Administration and Evaluation

Québec, August 29, 2002

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Fonds québécois de la recherche sur la société et la culture as at March 31, 2002 and the statements of revenue, expenditure and surplus for the nine-month period then ended. These financial statements are the responsibility of Fonds management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Fonds' financial position as at March 31, 2002 and the results of its operations and cash flows for the nine-month period then ended in accordance with the accounting principles that are generally accepted in Canada.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, August 29, 2002

HÉMA-QUÉBEC
(R.S.Q., c. H-1.1)

OPERATING RESULTS
for the year ended March 31, 2002

	2002	2001
REVENUE		
Grant from the Government of Québec	$204 383 869	$173 778 863
Blood products sold outside Québec	38 907	106 339
Interest on bank deposits and other	268 234	261 446
Other income	658 908	311 004
	$205 349 918	$174 457 652
EXPENSES (Note 3)	$205 349 918	$174 457 652

SURPLUS
for the year ended March 31, 2002

	2002	2001
SURPLUS AT BEGINNING	$845 204	$845 204
Net asset transferred from the Centre de conservation de tissus humains du Québec (Note 4)	105 314	
SURPLUS AT END	$950 518	$845 204

HÉMA-QUÉBEC

BALANCE SHEET
as at March 31, 2002

	2002	2001
ASSETS		
Short-term		
Cash	$679 093	
Term deposits		$519 486
Receivables (Note 5)	3 116 304	1 898 042
Grant forthcoming from the Government of Québec	990 970	12 058 363
Inventory (Note 6)	9 242 705	7 105 503
Prepaid expenses (Note 7)	2 036 498	1 373 775
	16 065 570	22 955 169
Fixed assets (Note 8)	40 946 461	27 486 723
	$57 012 031	$50 441 892
LIABILITIES		
Short-term		
Bank overdraft (Note 9)		$8 540 434
Accounts payable and accrued expenses (Note 10)	$17 159 377	13 344 649
Payment on long-term debt (Note 11)	4 388 808	3 806 290
	21 548 185	25 691 373
Long-term debt (Note 11)	31 624 760	22 213 071
Liabilities under the provision of accrued benefits (Note 12)	2 888 568	1 692 244
SURPLUS	950 518	845 204
	$57 012 031	$50 441 892

COMMITMENTS (Note 13)

For the Board of Directors,
Claude Pichette, Director
Cheryl Campbell Steer, Director

HÉMA-QUÉBEC

CASH FLOW
for the year ended March 31, 2002

	2002	2001
OPERATING ACTIVITIES		
Cash and cash equivalent-neutral operating result items		
Fixed assets depreciation	$4 436 624	$4 159 370
Loss (gain) on capital disposals	(65 499)	5 576
Liability on the account of accrued benefits	1 196 324	1 692 244
	5 567 449	5 857 190
Changes in non-cash working capital		
Reduction (increase) in receivables	(1 208 616)	1 393 499
Reduction (increase) in amount of grant forthcoming from Government of Québec	11 067 393	(6 558 363)
Increase in inventory	(2 137 202)	(1 574 982)
Increase in pre-paid expenses	(662 723)	(196 187)
Increase in payables and accrued liabilities	3 789 902	82 095
Cash flow from (used for) operating activities	16 416 203	(996 748)
INVESTING ACTIVITIES		
Capital acquisitions	(17 848 642)	(5 646 669)
Proceeds from disposal of capital property	106 997	137 918
Cash flow from investing activities	(17 741 645)	(5 508 751)
FINANCING ACTIVITIES		
Long-term debt	15 385 023	7 410 771
Settlement of long-term debt	(5 390 816)	(3 064 738)
Cash flow from financing activities	9 994 207	4 346 033
Cash transferred from Centre de conservation de tissus humains du Québec	31 276	
INCREASE (REDUCTION) IN CASH AND CASH EQUIVALENTS	8 700 041	(2 159 466)
CASH AND CASH EQUIVALENTS AT BEGINNING	(8 020 948)	(5 861 482)
CASH AND CASH EQUIVALENTS AT END	$679 093	$(8 020 948)
Cash and cash equivalents are made up of the following items:		
Cash	$679 093	
Fixed-term deposits		$519 486
Bank overdraft		(8 540 434)
	$679 093	$(8 020 948)
Interest paid	$1 725 874	$1 560 445

HÉMA-QUÉBEC

COMPLEMENTARY NOTES
March 31, 2002

1. INCORPORATION AND FUNCTIONS

Héma-Québec, constituted on March 26, 1998, by letters patent issued under Par III of the Companies Act (R.S.Q., Chapter C-38), is continued in accordance with the provisions of the Act respecting Héma-Québec and the Haemovigilance Committe (S.Q., 1998, Chapter C-41). Héma-Québec is a non-profit legal entity whose mission is to provide Quebeckers and their health and social services establishments with an adequate supply of blood, blood products and blood components.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Héma-Québec have been prepared by management in conformity with Canadian generally accepted accounting principles. These statements include some amounts that are based on best estimates and judgments.

Inventory

The inventory of fractionation products and of collection and laboratory equipment is evaluated at the lesser of cost or replacement value, the cost being determined according to the average cost method.

Fixed Assets

Fixed assets are recorded at cost. Depreciation is calculated in terms of the economic life of these fixed assets, according to the straight-line depreciation method and the following rates:

Building	4%
Physical improvements	5%
Leasehold improvements	length of lease
Automotive equipment	33 1/3%
Machinery and equipment	10% and 20%
Office furniture and equipment	33 1/3%
Computer equipment	33 1/3%
Computer Software	20%
Intangible assets	10%

Employee Benefit Plans

Héma-Québec accounts for the obligations stemming from its employee benefit plans, as well as related costs, after deducting plan assets. To this end, Héma-Québec has adopted the following agreements.

Pension costs and other retirement benefits earned by employees are actuarially determined using the projected benefit method pro-rated on service and based on management's best estimates of expected plan investment performance, salary escalation, retirement ages of employees and anticipated health care costs.

For purposes of calculating the anticipated yield of benefit plan assets, such assets are evaluated at their fair value.

The experience loss on 10% of the obligations for pension benefits is amortized over the expected average remaining service period of active employees. The provisional obligation is amortized over the expected average remaining service period of active employees. The average remaining service period of employees covered by the pension plans is 17 years. The average remaining service period of active employees covered by the supplementary retirement benefit plan is 13 years.

Cash and Cash Equivalents

Héma-Québec's policy is to present bank balances – including bank overdrafts whose balances often fluctuate between the overdraft, the available investments and the temporary investments whose maturity dates do not exceed three months from their acquisition dates – in cash and cash equivalents.

COMPLEMENTARY NOTES (cont'd)
March 31, 2002

3. EXPENSES BY RESPONSIBILITY CENTRE

	2002						
	Recruiting, marketing and promotion	Procurement	Production	Distribution	Medical services	Medical affairs	Quality and standards
Wages	$591 661	$16 188 922	$7 321 753	$3 822 372	$1 354 595	$2 006 073	$903 479
Fringe benefits	103 607	2 841 042	1 267 738	682 520	244 066	358 520	159 409
Travel expenses	58 426	1 574 540	60 721	1 158 396	29 797	82 012	87 398
Medical and Laboratory supplies	(4 658)	13 630 556	9 509 764	183 781	760 858	14 239	1 982
Blood products purchases outside Québec			22 714				
Bought-in services	352 894	144 283	399 539	6 514	19 766	99 170	106 314
Communications	3 050 028	711 009	4 302	66 329	5 000	10 849	4 121
Automotive equipment purchases	146	31 117	55 437	1 500 048	712	165	127
Equipment rentals	1 954	89 514	63 698	726 940	3 667	14 633	4 470
Rent						138 320	
Taxes							
Office expenses	335 733	400 958	478 231	151 830	89 055	120 200	25 301
Amounts carried forward	$4 489 791	$35 611 941	$19 183 897	$8 298 730	$2 507 516	$2 844 181	$1 292 601

2002							2001
Research and development	Information technology	Adminis-tration	Operation of physical plant	Labile subtotal	Fractionation products	Total	Total
$1 909 320	$1 833 995	$3 797 579	$385 668	$40 115 417	$47 677	$40 163 094	$37 451 870
311 593	307 579	1 870 336	70 433	8 216 843	8 960	8 225 803	6 443 632
101 100	110 603	279 415	43 079	3 585 487	19 631	3 605 118	3 607 689
503 778	(2 379)	(11 482)	200 488	24 786 927	102 140 445	126 927 372	102 964 791
				22 714		22 714	240 806
157 358	208 357	1 520 935	1 369 978	4 385 108	138 468	4 523 576	5 080 949
2 735	504 562	21 696	15 174	4 395 805	1 445	4 397 250	3 852 514
477	382	205	282	1 589 098	72 124	1 661 222	1 103 535
8 355	16 179	10 768	42 386	982 564		982 564	1 034 090
			1 896 913	2 035 233		2 035 233	1 698 291
			57 400	57 400		57 400	(43 642)
104 447	902 060	413 345	873 962	3 895 122	6 946	3 902 068	3 266 297
$3 099 163	$3 881 338	$7 902 797	$4 955 763	$94 067 718	$102 435 696	$196 503 414	$166 700 822

COMPLEMENTARY NOTES (cont'd)
March 31, 2002

3. EXPENSES BY RESPONSIBILITY CENTRE (cont'd)

	2002						
	Recruiting, marketing and promotion	Procurement	Production	Distribution	Medical services	Medical affairs	Quality and standards
Amounts brought forward	$4 489 791	$35 611 941	$19 183 897	$8 298 730	$2 507 516	$2 844 181	$1 292 601
Professional liability insurance			22 003				
Property, director and senior management insurance							
Fixed assets depreciation	58 092	387 163	365 564	116 041	86 313	72 918	35 440
Interest on advances and bank charges							
Interest on long-term debt							
Subtotal	4 547 883	35 999 104	19 571 464	8 414 771	2 593 829	2 917 099	1 328 041
Plasma for fraction-ation *							
Total	$4 547 883	$35 999 104	$19 571 464	$8 414 771	$2 593 829	$2 917 099	$1 328 041

* Héma-Québec has two major areas of activity: labile products and fractionation products. Some expenses related to collecting plasma for fractionation are incurred for labile products and reallocated to fractionation products on the basis of costs incurred. Costs are allocated according to the number of units delivered.

2002							2001
Research and development	Information technology	Adminis-tration	Operation of physical plant	Labile subtotal	Fractionation products	Total	Total
$3 099 163	$3 881 338	$7 902 797	$4 955 763	$94 067 718	$102 435 696	$196 503 414	$166 700 822
		2 597 666		2 619 669		2 619 669	1 912 506
		54 727		54 727		54 727	76 618
149 291	1 510 619	1 053 180	601 262	4 435 883	741	4 436 624	4 159 370
		324 446		324 446		324 446	155 606
		1 411 038		1 411 038		1 411 038	1 452 730
3 248 454	5 391 957	13 343 854	5 557 025	102 913 481	102 436 437	205 349 918	174 457 652
				(8 057 989)	8 057 989		
$3 248 454	$5 391 957	$13 343 854	$5 557 025	$94 855 492	$110 494 426	$205 349 918	$174 457 652

COMPLEMENTARY NOTES (cont'd)
March 31, 2002

4. NET ASSET TRANSFERRED FROM THE CENTRE DE CONSERVATION DE TISSUS HUMAINS DU QUÉBEC

Further to the approval of the Ministère de la Santé et des Services sociaux, as at December 18, 2001, responsibility for the operations of the Centre de conservation de tissus humains du Québec (Québec Human Tissue Conservation Centre) was transferred to Héma-Québec. Consequently, all of this organization's assets and liabilities were allocated to Héma-Québec at book value.

They are broken down as follows:

	2002
Cash	$31 276
Accounts receivable	9 646
Fixed assets	89 218
Accounts payable and accrued liabilities	(24 826)
Net asset	$105 314

5. RECEIVABLES

	2002	2001
Customers	$781 222	$916 639
Sales taxes	2 335 082	981 403
	$3 116 304	$1 898 042

6. INVENTORY

	2002	2001
Fractionation products and substitutes	$5 284 123	$4 612 452
Collection equipment	3 669 855	2 195 019
Laboratory equipment	288 727	298 032
	$9 242 705	$7 105 503

COMPLEMENTARY NOTES (cont'd)
March 31, 2002

7. PREPAID EXPENSES

	2002	2001
Insurance	$1 664 621	$962 587
Other	371 877	411 188
	$2 036 498	$1 373 775

8. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net value	Net value
Land	$2 139 500		$2 139 500	$2 139 500
Building *	20 534 565	$476 000	20 058 565	6 413 918
Physical improvements	3 809 289	323 370	3 485 919	3 308 576
Leasehold improvements	1 001 410	556 058	445 352	331 243
Automotive equipment	117 893	89 140	28 753	90 671
Machinery and equipment	7 238 609	1 896 649	5 341 960	3 718 326
Office furniture and equipment	1 787 836	1 298 035	489 801	678 766
Computer equipment	3 981 561	2 785 147	1 196 414	1 874 504
Computer software	3 478 759	1 568 562	1 910 197	2 181 219
Intangible assets **	9 000 000	3 150 000	5 850 000	6 750 000
	$53 089 422	$12 142 961	$40 946 461	$27 486 723

* On May 11, 2000, the Government of Québec authorized the construction of new laboratories at 4045 Côte-Vertu Boulevard in Saint-Laurent, for the purpose of transferring operations presently located at 3131 Sherbrooke Street East in Montréal. The total cost for this construction project will be $17 832 793 including taxes. Anticipated completion date for the project is May 2002.

The accumulated project costs as at March 31, 2002, including the laboratories, stood at $17 134 565 net of taxes, and are included under Building. Amortization of this capital asset will begin when the project is completed.

** Intangible assets include databases for blood-product management, royalties, trademarks, the unrelated bone marrow donor registry, fees linked to blood drive programs, transfer of operational and prescribed processes, as well as blood-product and tissue samples. All of these assets were acquired for a lump-sum amount of $9 000 000 from the Canadian Red Cross Society on September 28, 1998.

COMPLEMENTARY NOTES (cont'd)
March 31, 2002

9. BANK OVERDRAFT

As at March 31, 2002, Héma-Québec had a revolving line of credit of $9 500 000 bearing interest at the prime rate less 0.50%.

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	2002	2001
Suppliers	$13 279 360	$10 395 348
Salaries and fringe benefits	3 880 017	2 949 301
	$17 159 377	$13 344 649

11. LONG-TERM DEBT

	2002	2001
Loan, secured by the land and the building, with a net book value of $5 063 500, repayable by monthly installments totalling $36 337, including capital and interest at a fixed rate of 6.19%, renewable in 2008 and falling due in 2023	$5 193 992	$5 305 586
Loans, repayable by monthly installments totalling $387 098, including capital and interest at fixed rates varying from 5.62% to 6.82%, falling due between 2003 and 2008	15 482 791	19 181 760
Loans for interim financing, at rates varying from 2.16% to 5.45%, convertible into term loans at matching rates in June 2002 *	15 336 785	1 532 015
	36 013 568	26 019 361
Payments falling due within one year	(4 388 808)	(3 806 290)
	$31 624 760	$22 213 071

* According to a service offer signed on May 16, 2002, bridging finance loans will be converted into a term loan repayable in monthly installments of $53 783 plus interest, falling due in 2027.

Repayments of capital on long-term debt to be made during the next five financial years are the following:

2003	$4 388 808
2004	4 585 676
2005	3 934 327
2006	2 561 704
2007	1 846 712

12. FUTURE FRINGE BENEFITS

Héma-Québec has several defined benefit and money purchase plans that guarantee pensions, post-retirement benefits other than pensions and post-employment benefits to most employees.

Héma-Québec's net expenditures for the financial year for its benefit plans are as follows:

	Pension plans		Other plans	
	2002	2001	2002	2001
Defined benefit plans	$910 300	$748 600	$1 393 482	$1 160 945
Money purchase plans	$574 800	$455 200		

Information related to collective money-purchase pension plans, as at March 31, is as follows:

	Pension plans		Other plans	
	2002	2001	2002	2001
Obligations for accrued pension benefits	$5 495 300	$3 370 900	$10 361 168	$5 252 944
Fair value of assets at end of financial year	4 565 000	3 238 100		
Funding situation – deficit	930 300	132 800	10 361 168	5 252 944
Non-depreciated experience loss	721 400		4 220 000	
Outstanding provisional obligation	55 500	60 500	3 406 000	3 633 000
Liabilities for accrued pension benefits	$153 400	$72 300	$2 735 168	$1 619 944

Significant actuarial assumption adopted by Héma-Québec to evaluate its obligations for accrued pension benefits are as follows:

	Pension plans	Other plans
Discount rate	7.00%	7.00%
Anticipated long-term rate of return for plan assets	7.75%	
Rate of salary increase	4.00%	4.00%

For evaluation purposes, the hypothetical rate of annual increase in health-care costs covered for each participant has been fixed at 10% for the year 2002. According to the hypothesis chosen, this rate should gradually decrease, reaching 5% in 2010. The hypothetical rate of annual increase in the costs of other health-care costs, borne by participants, has been fixed at 3%.

Other information for the financial year concerning Héma-Québec's defined plans is follows:

	Pension plans		Other plans	
	2002	2001	2002	2001
Contributions made by Héma-Québec during the financial year	$829 200	$676 300		
Contributions made by employees during the financial year	$916 100	$733 600		
Benefits paid	$15 000	$10 060	$458 230	$376 012

12. FUTURE FRINGE BENEFITS (cont'd)

Following an agreement reached and ratified by the Court during the year 2000, the Héma-Québec employees' private pension plan will receive approximately an amount of $4 824 000 from the Red Cross. This amount is to be used in accordance with the terms of the agreement ratified by the Court and will go toward, among other things, improvements to retirement benefits as well as correction of deficiencies noted during the transfer of Red Cross employees to Héma-Québec. The amount has been deposited in a trust account and will be paid to the pension plan as soon as the latter receives approval from tax authorities.

13. COMMITMENTS

Héma-Québec is committed to long-term leases, expiring on various dates until April 30, 2009, for its business and administrative premises and for automotive and other equipment. Leases for premises include, in some cases, an option to renew for five years. Héma-Québec has also committed itself to construction and renovation contracts.

Rental expenditures for the financial year ended March 31, 2002, were $2 035 233 ($1 698 291 in 2001) for premises and $982 564 ($1 034 090 in 2001) for automotive and other equipment. Future payments related to the construction of laboratories are of the order of $971 320 for 2003. Minimum future payments with respect to long-term leases are as follows:

2003	$1 622 042
2004	196 666
2005	174 907
2006	143 229
2007	137 280

14. TRANSACTIONS AMONG AFFILIATES

In addition to operations among affiliates already disclosed in the financial statements, Héma-Québec is affiliated with all government departments and special funds, as well as all organizations and enterprises controlled directly or indirectly by the Government of Québec or subjected either to joint control or to significant common influence on the part of the Government of Québec. Héma-Québec has not concluded any business transactions with these affiliates other than in the normal course of its activities and according to usual business terms. These operations are not disclosed separately in the financial statements.

15. COMPARATIVE FIGURES

Certain figures for 2001 have been reclassified in order to conform to the presentation adopted in 2002.

HÉMA-QUÉBEC

MANAGEMENT'S REPORT

The financial statements of Héma-Québec were prepared by management, which is responsible for their preparation and presentation, including some amounts that are based on best estimates and judgments of management. This responsibility includes the choice of appropriate accounting policies in conformity with Canadian generally accepted accounting principles. The financial information presented elsewhere in this annual activity report is consistent with that in the financial statements.

In order to discharge its responsibilities, management maintains a system of internal accounting controls that will allow it to produce reliable financial statements and that are designed to provide reasonable assurance that assets are projected and that transactions are duly approved and accounted for correctly and in the delays required.

Héma-Québec recognizes that it is reponsible for managing its affairs in conformity with the laws and regulations governing it.

Actuaries from the firm and Morneau Sobeco have been appointed as consultants to Héma-Québec employees' private pension plan.

The Board of Directors must monitor the manner in which management carries out its responsibilities in relation to financial information and it has approved these financial statements.

The Auditor General of Québec has audited the financial statements of Héma-Québec in accordance with Canadian generally accepted auditing standards, and the auditor's report reveals the nature and extent of the audit and the statement of the auditor's opinion. The Auditor General can, without any restriction whatsoever, meet with the Board of Directors to discuss any aspect of the audit.

Guy Lafrenière
Senior Director – Administration and Finance

Francine Décary
Executive Director

Saint-Laurent, June 11, 2002

HÉMA-QUÉBEC

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheets of Héma-Québec as at March 31, 2002, and the statements of operating results and surplus, as well as the statement of cash flows for the financial year ended on that date. These financial statements are the responsibility of the management of Héma-Québec. My responsibility is to express an opinion on these financial statements based on my audit.

My audit has been conducted in accordance with Canadian generally accepted auditing standards. Those standards require that the audit be planned and performed to obtain reasonable assurance that the financial statements are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of Héma-Québec as of March 31, 2002, and the results of its operations and its cash flows for the financial year ended on that date, in accordance with Canadian generally accepted accounting principles. In compliance with the requirements of the Auditor General Act (R.S.Q., Chapter V-5.01), I declare that, in my opinion, these principles have been applied in the same manner as during the preceding financial year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec City, June 11, 2002

HYDRO-QUÉBEC
(R.S.Q., c. H-5)

CONSOLIDATED STATEMENT OF OPERATIONS
for the year ended December 31,
(in millions of dollars)

	2001	2000
REVENUE	12 578	11 429
EXPENDITURE		
Operations	2 134	2 135
Electricity and fuel purchased	3 532	2 408
Depreciation, amortization and decommissioning (Note 2)	1 845	1 896
Taxes (Note 3)	591	525
	8 102	6 964
OPERATING INCOME	4 476	4 465
Financial expenses (Note 4)	3 350	3 369
Income before non-controlling interest	1 126	1 096
Non-controlling interest	18	18
NET INCOME	1 108	1 078

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
for the year ended December 31,
(in millions of dollars)

	2001	2000
BALANCE AT BEGINNING OF YEAR	9 906	9 367
Net income	1 108	1 078
	11 014	10 445
Dividends (Note 15)	554	539
BALANCE AT END OF YEAR	10 460	9 906

CONSOLIDATED BALANCE SHEET
as at December 31,
(in millions of dollars)

	2001	2000
ASSETS		
Fixed assets (Note 5)	50 044	49 887
Current assets		
Cash and cash equivalents	251	112
Investments	617	569
Accounts receivable	1 766	1 861
Financial assets related to debt	106	89
Materials, fuel and supplies	427	407
	3 167	3 038
Other long-term assets		
Investments (Note 6)	841	750
Deferred charges (Note 7)	5 031	4 309
Financial assets related to debt (Note 8)	299	372
Other assets (Note 9)	479	682
	6 650	6 113
	59 861	59 038
LIABILITIES AND EQUITY		
Long-term-debt (Note 10)	37 269	34 965
Current liabilities		
Borrowings	88	1 774
Dividends payable	554	539
Accounts payable	1 343	1 398
Accrued interest	1 201	1 264
Current portion of long-term debt	3 087	3 406
	6 273	8 381
Other long-term liabilities (Note 11)	755	673
Perpetual debt (Note 12)	552	552
Non-controlling interest	178	187
SHAREHOLDER'S EQUITY (Note 15)		
Share capital	4 374	4 374
Retained earnings	10 460	9 906
	14 834	14 280
	59 861	59 038

Yvon Lamontagne
Chairman of the Audit Committee

Jacques Laurent
Chairman of the Board of Directors

HYDRO-QUÉBEC

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended December 31,
(in millions of dollars)

	2001	2000
OPERATING ACTIVITIES		
Net income	1 108	1 078
Depreciation of fixed assets	1 696	1 587
Amortization of deferred charges	590	449
Change in non-cash working capital items (Note 16)	57	24
Other	12	142
	3 463	3 280
INVESTING ACTIVITIES		
Fixed assets	(1 810)	(1 812)
Business acquisition		(1 576)
Long-term investments	21	(65)
Net change in short-term investments	(46)	(131)
Other	(89)	(37)
	(1 924)	(3 621)
FINANCING ACTIVITIES		
Issue of long-term debt	4 544	2 200
Maturity of long-term debt and sinking fund redemption	(3 471)	(2 317)
Repayment in advance of long-term debt	(289)	(737)
Receipts resulting from credit risk management	25	
Net change in short-term borrowings	(1 827)	1 678
Dividends paid	(539)	(453)
Other	157	(18)
	(1 400)	353
NET CHANGE IN CASH AND CASH EQUIVALENTS	139	12
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	112	100
CASH AND CASH EQUIVALENTS AT END OF YEAR	251	112
SUPPLEMENTARY INFORMATION		
Interest paid	3 018	2 967

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in millions of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES

Under the provisions of the Hydro-Québec Act, the publicly owned corporation Hydro-Québec (the "Corporation") is mandated to supply power and to pursue endeavors in energy-related research and promotion, energy conversion and conservation, and any field connected with or related to power or energy.

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and take into account generally accepted accounting methods and practices recognized by regulatory bodies. The regulatory accounting practices adopted by the Corporation, which differ from the accounting practices applied in unregulated enterprises, relate specifically to certain deferred charges, such as those concerning canceled major projects and personnel reduction and renewal measures, and the depreciation of fixed assets that are disposed of.

Consolidation

The consolidated financial statements include the accounts of the Corporation, its subsidiaries, all of which are wholly owned, and its interests in jointly controlled enterprises (collectively "Hydro-Québec").

Interests in jointly controlled enterprises, that is, joint ventures, are accounted for using the proportionate consolidation method. Investments in companies over which Hydro-Québec can exercise a significant influence are accounted for on an equity basis, whereas venture capital investments are generally recorded at cost. Other long-term investments are also recorded at cost.

The operations and cash flows of Noverco Inc. and of Hydro-Québec International (HQI) holdings are consolidated with a one-quarter lag. The financial positions of these companies disclosed in the Hydro-Québec consolidated balance sheet are as at September 30.

Goodwill

The excess of the cost of investments in subsidiaries and joint ventures over the fair value of the share of the net assets acquired is recorded as goodwill and amortized on a straight-line basis over a period not exceeding 40 years. Each year, Hydro-Québec reviews the book value of goodwill to determine if there has been a permanent impairment in value by measuring the estimated fair value of the investments using the discounted cash flow method.

Regulation

The Act respecting the Régie de l'énergie grants the Régie de l'énergie exclusive authority to determine or modify the rates and conditions under which electricity is transmitted and distributed by the Corporation.

The joint venture Noverco Inc. wholly owns Gaz Métropolitain, inc., whose main subsidiary, Gaz Métropolitain and Company, Limited Partnership, is involved primarily in the distribution of natural gas by pipeline. Most aspects of the limited partnership's operations are monitored and controlled by the Régie de l'énergie. In exercising its authority, the Régie de l'énergie makes decisions that influence the adoption and use of certain accounting policies, in particular those with respect to employee future benefits, income taxes and certain deferred charges.

Revenue

Revenue from sales of electricity is recorded on the basis of cyclical billings and also includes revenue accrued in respect of electricity delivered but as yet unbilled.

Foreign currency translation

Revenue and expenditure resulting from transactions in foreign currencies are translated into the Canadian dollar equivalent at exchange rates in effect at the transaction date. Monetary assets and liabilities are translated into Canadian dollars at the closing exchange rates in effect at the balance sheet date, and non-monetary items are translated into Canadian dollars at exchange rates in effect at the transaction date.

The exchange gains or losses resulting from the translation of current monetary items are included in the consolidated statement of operations. Those resulting from the translation of long-term monetary items are deferred to the date of repayment when they relate to liabilities hedged by future revenue streams in U.S. dollars. In all other cases, they are deferred and amortized on a straight-line basis over the remaining term of the asset or liability.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign currency translation (cont'd)

Currency swaps used to manage exchange risk related to principal payments on long-term debt and future revenue streams in U.S. dollars are translated at the closing exchange rates in effect at the balance sheet date. Those that constitute financial assets are presented as Financial assets related to debt, while those representing financial liabilities are presented as Long-term debt. Gains or losses on these currency swaps are deferred and amortized on a straight-line basis over their remaining terms.

Hydro-Québec uses the temporal method for translating the financial statements of foreign operations considered to be integrated in terms of financial and operational management. The financial statements of the foreign operations considered to be self-sustaining in terms of financial and operational management are translated on a current rate basis using the foreign currency as the measuring unit, except for a subsidiary of Hydro-Québec International, which uses the U.S. dollar.

Fixed assets

Fixed assets are carried at cost, which comprises materials, labor, other costs directly contributing to construction activities and borrowing costs capitalized during construction. Capitalized borrowing costs are based on the previous year's average cost of long-term debt issued by the Corporation.

The costs of fixed assets in progress are transferred to fixed assets in service when construction is completed and the facilities are in commercial operation. As for generating facilities, the costs are transferred in installments as generating units of the facilities are completed and commissioned.

Fixed assets are depreciated over their useful life. Under the Hydro-Québec Act, the depreciation period is restricted to a maximum of 50 years. The depreciation periods for the main classes of fixed assets are as follows:

Distribution substations and lines	25 to 40 years
Transmission substations and lines	30 to 50 years
Hydraulic generation	45 to 50 years
Nuclear generation	25 to 30 years
Thermal generation, other than nuclear	15 to 30 years
Administrative and service buildings	50 years
Construction, operating and research equipment	3 to 30 years

Fixed assets are depreciated according to the sinking fund method at the rate of 3%, with the exception of construction, operating and research equipment, which is depreciated according to the straight-line method.

Upon disposal, the cost of fixed assets and the cost of their dismantlement, net of accumulated depreciation and salvage value, are charged to a separate account and amortized over a maximum period of 10 years, according to the sinking fund method, at the rate of 3%. However, when the fixed assets are replaced, the cost of dismantlement, less the salvage value, is added to the cost of the new fixed assets and then depreciated according to the method appropriate to the new asset.

Cash and cash equivalents and short-term investments

Cash and cash equivalents comprise cash and liquid short-term investments with a maturity of three months or less from the date of acquisition. Investments with a maturity of three to twelve months are disclosed separately under Current assets in the balance sheet.

Short-term investments are shown at amortized cost. The book value of the investments approximates their fair value.

Deferred charges

Marketing programs and development expenses

Deferred charges related to marketing programs and development expenses are amortized on a straight-line basis over a maximum of five years starting the year after the year in which they were incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred charges (cont'd)

Canceled major projects

Capital expenditure project costs are reviewed periodically. Costs deemed irretrievable at the time of cancellation of a major project are deferred and amortized on a straight-line basis over a period of three years.

Personnel reduction and renewal measures

The Corporation introduced various temporary measures to facilitate the reduction and renewal of its personnel from 1997 to 2000. The most significant of these measures involved improvements to the Pension Plan as well as severance pay, the cost of which is amortized on a straight-line basis over a period of 60 months, beginning the month following each individual commitment. The cost of the measures relating to the Pension Plan is included in the accrued benefit obligation of the Pension Plan, the cost of severance pay is presented as Deferred charges, and the amortization is recorded in Expenditure – Operations.

Sinking funds

Sinking funds are created through the purchase of the Corporation's debentures, Government of Canada bonds, or bonds issued or guaranteed by the Québec government. The Corporation's debentures are deducted from long-term debt. Government issued or guaranteed bonds are presented as Financial assets related to debt.

Sinking fund securities are carried at unamortized cost, a method whereby the difference between the cost and the par value at maturity is amortized over the remaining term of the security.

Derivative instruments

Hydro-Québec uses various derivative instruments to mitigate foreign exchange and interest rate risk related to long-term debt, foreign exchange risk related to sales and the risk related to fluctuating energy and raw material prices.

Interest exchanges, which arise from swap agreements used to change long-term interest rate exposure, are matched to interest expense on the borrowings to which they are related.

Derivative instruments used in the short term to manage financial risk over a period of no more than three years are recorded at cost. Gains or losses realized are deferred and charged to operations on a basis consistent with the recognition of the gains or losses of the underlying position.

When derivative instruments are used to manage risks related to energy-price fluctuations, they constitute hedges. Gains or losses related to these instruments are deferred and charges to operations on a basis consistent with the recognition of the gains or losses of the underlying position.

Derivative instruments used for trading purposes are valued at market value. Changes in value are recognized in the statement of operations in the period in which they occur.

Decommissioning of nuclear generating station

The future costs of decommissioning Gentilly-2 nuclear generating station are charged progressively to operations and reflected in Other long-term liabilities. These estimated costs essentially relate to dismantling of the station and removing the irradiated fuel.

The Corporation revises these costs periodically based on the various assumptions and estimates underlying the calculations, possible technological advances and changes in the standards and regulations governing the decommissioning of nuclear generating stations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

(in millions of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires Management to make estimates and assumptions which affect the amounts reported in the financial statements. Actual amounts could differ from those estimates.

Reclassification

Some figures of the previous year have been reclassified in order to respect the presentation adopted in the current year.

2. DEPRECIATION, AMORTIZATION AND DECOMMISSIONING

	2001	2000
Depreciation of fixed assets	1 696	1 587
Amortization of marketing programs	14	67
Amortization of canceled major projects	44	43
Amortization of development expenses	9	33
Write-off of projects	1	81
Decommissioning of nuclear generating station	13	12
Other	68	73
	1 845	1 896

3. TAXES

	2001	2000
Capital tax	284	243
Tax on gross revenue as municipal real estate tax on certain immovables	228	218
Municipal, school and other taxes	79	64
	591	525

4. FINANCIAL EXPENSES

	2001	2000
Interest		
Interest on debt securities	3 105	3 231
Amortization of borrowing discount and expenses	53	58
	3 158	3 289
Less:		
Capitalized borrowing costs	248	239
Net investment income	51	42
	299	281
	2 859	3 008
Exchange loss	306	174
Loan guarantee fees	185	187
	3 350	3 369

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

(in millions of dollars)

5. FIXED ASSETS

	2001			
	In service	Accumulated depreciation	In progress	Total
Distribution				
Substations and lines	9 310	2 652	201	6 859
Administrative and service buildings	672	197	5	480
Construction, operating and research equipment	718	519	57	256
Sundry	707	392	17	332
	11 407	3 760	280	7 927
Transmission				
Substations and lines	19 735	4 434	785	16 086
Administrative and service buildings	276	103		173
Construction, operating and research equipment	1 906	964	123	1 065
Sundry	26	16	90	100
	21 943	5 517	998	17 424
Generation				
Hydraulic	23 965	5 500	2 885	21 350
Nuclear	1 645	794	19	870
Thermal, other than nuclear	773	365	3	411
Administrative and service buildings	599	126	2	475
Construction, operating and research equipment	280	195	23	108
Sundry	211	75	67	203
	27 473	7 055	2 999	23 417
Engineering, Procurement and Construction				
Administrative and service buildings	214	82	4	136
Construction, operating and research equipment	400	262	19	157
	614	344	23	293
Other				
Administrative and service buildings	62	28	14	48
Construction, operating and research equipment	218	182	4	40
Sundry	1 324	439	10	895
	1 604	649	28	983
	63 041	17 325	4 328	50 044

5. FIXED ASSETS (cont'd)

	2000			
	In service	Accumulated depreciation	In progress	Total
Distribution				
Substations and lines	8 904	2 376	244	6 772
Administrative and service buildings	678	181	6	503
Construction, operating and research equipment	665	472	64	257
Sundry	659	340	7	326
	10 906	3 369	321	7 858
Transmission				
Substations and lines	19 253	4 019	839	16 073
Administrative and service buildings	272	95	2	179
Construction, operating and research equipment	1 814	878	131	1 067
Sundry	25	2	41	64
	21 364	4 994	1 013	17 383
Generation				
Hydraulic	23 827	5 087	2 462	21 202
Nuclear	1 638	724	11	925
Thermal, other than nuclear	699	336	70	433
Administrative and service buildings	599	113	1	487
Construction, operating and research equipment	255	177	24	102
Sundry	206	53	56	209
	27 224	6 490	2 624	23 358
Engineering, Procurement and Construction				
Administrative and service buildings	209	72	3	140
Construction, operating and research equipment	358	216	24	166
	567	288	27	306
Other				
Administrative and service buildings	60	26	1	35
Construction, operating and research equipment	231	189	5	47
Sundry	1 290	404	14	900
	1 581	619	20	982
	61 642	15 760	4 005	49 887

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

(in millions of dollars)

5. FIXED ASSETS (cont'd)

As at December 31, 2001, the Corporation had cumulative costs related to suspended draft design projects amounting to $514 million ($509 million as at December 31, 2000), recorded under Fixed assets in progress. The Corporation has therefore ceased capitalizing the related borrowing expenses.

As certain projects have longer completion timelines, their cumulative costs are periodically reviewed.

During such reviews, Management must use estimates and make assumptions that have an impact on the amounts reported for draft design projects at the balance sheet date. Such projects are assessed in terms of profitability based on prevailing market conditions at the time of their commissioning, compliance with sustainable development principles and how well they are received by local communities. A significant change in the assessment based of these criteria could result in a reduction of the balance for draft design projects.

6. INVESTMENTS

	2001	2000
At cost		
Noverco Inc. (Note 14)		
Notes [a]	141	141
Churchill Falls (Labrador) Corporation Limited (Note 18)		
Bonds [b]	58	59
Other [c]	269	181
	468	381
At equity		
Enbridge Inc.	211	207
Churchill Falls (Labrador) Corporation Limited (Note 18)	39	35
Connexim, Limited Partnership	32	41
Meiya Power Company Limited	91	86
	373	369
	841	750

a) Subordinate debentures, interest rate based on the annual average rate of Government of Canada bonds with terms of over 10 years plus 4.45%, due in 2031, redeemable.

b) Bonds secured by a general mortgage, 7.50%, due 2002 through 2010 (par value of $64 million in 2001 and $65 million in 2000).

c) Includes venture capital investments at a cost of $118 million and with a fair value of $118 million as at December 31, 2001 ($90 million and $143 million as at December 31, 2000). The fair value of listed shares is based on the trading price at the balance sheet date; the fair value of unlisted shares is cost.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

(in millions of dollars)

7. DEFERRED CHARGES

	2001	2000
Deferred charged related to debt [a]	3 974	3 191
Employee future benefit asset (Note 17)	635	545
Marketing programs	53	49
Development expenses	53	91
Canceled major projects		44
Personnel reduction and renewal measures	60	117
Other	256	272
	5 031	4 309

a) Mainly comprises a deferred exchange loss of $3 838 million ($3 063 million as at December 31, 2000).

8. FINANCIAL ASSETS RELATED TO DEBT

	2001	2000
Currency swaps	316	232
Sinking funds	89	229
	405	461
Less		
Current portion	106	89
	299	372

9. OTHER ASSETS

	2001	2000
Goodwill	297	302
Government reimbursement for the 1998 ice storm [a]	182	380
	479	682

a) Corresponds to compensation payments, from 2003 to 2007, in the amount of $182 million for the net cost of restoring the system. As at December 31, 2000, the balance also included an amount of $186 million for reimbursement of the cost of emergency measures that was received during 2001.

10. LONG-TERM DEBT

Composition and maturities

Debentures, other long-term debt and currency swaps representing financial liabilities, translated into Canadian dollars at the closing exchange rates in effect at the balance sheet date, are summarized in the following table. These amounts are presented by year of maturity, and take into account the requirements of the sinking funds.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

(in millions of dollars)

10. LONG-TERM DEBT (cont'd)

Composition and maturities (cont'd)

	2001						2000
	Debt of the Corporation				Subsidiaries and joint ventures		
Years of maturity	Canadian dollars	U.S dollars	Other currencies	Total		Total	Total
2001							3 406
2002	520	2 085	450	3 055	32	3 087	2 990
2003	1 430	1 199	293	2 922	383	3 305	2 858
2004	1 485	32	56	1 573	26	1 599	1 185
2005	1 543	652	171	2 366	162	2 528	2 298
2006	416	1 760	425	2 601	28	2 629	
1 to 5 years	5 394	5 728	1 395	12 517	631	13 148	12 737
6 to 10 years	2 999	1 703	1 296	5 998	1 117	7 115	5 242
11 to 15 years	1 133	2 530	609	4 272	86	4 358	5 100
16 to 20 years	2 722	1 928	13	4 663	103	4 766	2 755
21 to 25 years	1 956	2 516		4 472	91	4 563	6 152
26 to 30 years	1 084	3 297		4 381	136	4 517	3 981
31 to 35 years	1 143			1 143	40	1 183	2 109
36 to 40 years	209			209	67	276	209
41 to 45 years	2			2		2	4
46 to 50 years	50			50		50	50
51 to 55 years							
56 to 60 years	378			378		378	32
	17 070 [a]	17 702	3 313	38 085 [b]	2 271	40 356	38 371 [b]
Less:							
Current portion	520	2 085	450	3 055	32	3 087	3 406
	16 550	15 617	2 863	35 030	2 239	37 269	34 965

a) Includes $113 million and $249 million in zero-coupon bonds, reported at their discounted value at a semiannually compounded interest rate of 10.95% and 10.67% respectively. Their par value will reach $282 million and $1 729 million in 2010 and 2020 respectively. A specific sinking fund was created for this debt and totaled $30 million as at December 31, 2001. Other bonds, reported at their discounted value and amounting to $1 097 million, will reach a par value of $1 333 million on maturity.

b) Includes $36 835 million in bonds guaranteed by the Québec government ($36 108 million as at December 31, 2000).

10. LONG-TERM DEBT (cont'd)

Allocation of debt by currency at time of issue and impact of financial assets related to debt

The following table summarizes long-term debt, including the current portion, in Canadian dollars and currency units. Also shown are the effects of currency swaps and sinking funds allocated to repay debt, which are presented on the balance sheet under Financial assets related to debt.

	2001				2000
	Long-term debt		Financial assets related to debt		
	In Canadian dollars and currency units	At closing exchange rates at balance sheet date [a]	Currency swaps and sinking funds	Total	Total
Debt of the Corporation					
Canadian dollars	17 070	17 070	(88)	16 982	16 779
U.S. dollars	10 887	17 702	(172)	17 530	16 003
Other currencies					
Japanese yen	57 500	876	(82)	794	882
Deutsche marks	974	860	(39)	821	1 317
Pounds sterling	300	786	(20)	766	999
Swiss francs	97	96		96	229
French francs	2 500	695		695	654
		3 313	(141)	3 172	4 081
		38 085	(401)	37 684	36 863
Subsidiaries and joint ventures [b]		2 271	(4)	2 267	1 047
		40 356	(405)	39 951	37 910

a) Includes $945 million of financial liabilities composed of currency swaps ($765 million as at December 31, 2000) and $452 million of Hydro-Québec securities held in the sinking funds ($240 million as at December 31, 2000).

b) Includes $835 million in Canadian dollars, $1 092 million in U.S. dollars, $336 million in Unidades de Fomento (indexed Chilean pesos) and $4 million in Chinese renminbi ($809 million in Canadian dollars, $236 million in U.S. dollars and $2 million in Chinese renminbi as at December 31, 2000).

Allocation of debt by currency at time of issue and at time of repayment

The following table shows the allocation of debt, net of sinking funds, converted into Canadian dollars after taking the swaps into account, according to the currency at time of issue and the currency at time of repayment.

10. LONG-TERM DEBT (cont'd)

Allocation of debt by currency at time of issue and at time of repayment (cont'd)

	2001		2000	
	At time of issue	At time of repayment	At time of issue	At time of repayment
Debt of the Corporation				
Canadian dollars	16 982	17 371	16 779	17 477
U.S. dollars	17 530	20 313 [a]	16 003	19 099
Other currencies	3 172		4 081	287
	37 684	37 684	36 863	36 863
Debt of the subsidiaries and joint-ventures				
Canadian dollars	835	835	809	809
U.S. dollars	1 092	937	236	236
Other currencies	340	495	2	2
	2 267	2 267	1 047	1 047
	39 951	39 951	37 910	37 910

a) These balances are 83% hedged by future revenue streams in U.S. dollars (76% as at December 31, 2000).

Interest rates

The Hydro-Québec interest rates presented in the following table take into account nominal interest rates on borrowings, the related discounts and expenses, and the effect of interest rate swaps.

	2001				2000
Year of maturity	Canadian dollars	U.S. dollars	Other currencies	Weighted average	Weighted average
1 to 5 years	3.62	6.54	3.65	4.87	7.08
6 to 10 years	6.20	4.78	5.51	5.56	7.37
11 to 15 years	10.87	8.40	10.27	9.29	9.72
16 to 20 years	11.06	9.73	3.26	10.50	10.24
21 to 25 years	9.94	8.69	6.20	9.16	9.78
26 to 30 years	6.68	9.13		8.46	9.03
31 to 35 years	6.34			6.34	6.51
36 to 40 years	6.41			6.41	6.43
41 to 45 years	6.56			6.56	6.29
46 to 50 years	6.44			6.44	6.45
51 to 55 years					
56 to 60 years	6.62			6.62	6.33
Weighted average	8.02	8.24	6.81	8.05	8.82

The variable-rate portion of Hydro-Québec's debt amounts to 24.6%, or 25.6% after perpetual debt, as at December 31, 2001 (25.2%, or 26.3% after perpetual debt, as at December 31, 2000). For information purposes, a change of 1% in the interest rate would change net income by $104 million ($101 million in 2000), not including the impact of derivative instruments used to manage short-term financial risk (Note 13).

10. LONG-TERM DEBT (cont'd)

Fair value

As at December 31, 2001, the fair value of Hydro-Québec's debt, net of sinking funds and after swaps, amounted to $47 468 million ($45 019 million as at December 31, 2000).

Fair value is obtained by discounting future cash flows, based on term and closing interest rates as at the balance sheet date for similar instruments available on financial markets. Changes in fair value reflect sensitivity to financial market interest rates. However, Management intends to retain these debt securities until maturity. Therefore, as at December 31, 2001, Hydro-Québec did not foresee any significant debt repayments that could result in the realization of this fair value.

Hydro-Québec has undrawn revolving standby credits totaling US$1 500 million and expiring between 2002 and 2006. Any borrowing under these lines of credit will bear interest at a rate based on the London Interbank Offered Rate (LIBOR).

11. OTHER LONG-TERM LIABILITIES

	2001	2000
Accounts payable	312	275
Employee future benefit liability (Note 17)	343	311
Decommissioning of nuclear generation station	100	87
	755	673

12. PERPETUAL DEBT

Perpetual notes in the amount of US$400 million bear interest at a rate established semiannually based on LIBOR. They are guaranteed by the Québec government and are only redeemable at the Corporation's option. These notes are shown on the balance sheet at the exchange rate in effect on the date of issue ($637 million at the closing exchange rate in effect at the balance sheet date). As at December 31, 2001, their fair value was $566 million ($520 million as at December 31, 2000). As at December 31, 2001 and 2000, the LIBOR for perpetual notes was 3.09% and 6.88%, respectively.

13. DERIVATIVE INSTRUMENTS

Derivative instruments used by Hydro-Québec for hedging purposes are always associated with a reverse risk position.

Hydro-Québec concludes currency swaps in order to manage the foreign exchange risk associated with payments of principal on long-term debt, interest payments and future revenue streams in U.S. dollars. Some of these currency swaps allow for interest rate exchanges to change long-term exposure to interest rate risk. Interest rate swaps that do not allow for exchanges of principal are also used to manage this risk.

The valuation of these swaps, with terms through 2017, showed a negative fair value of $338 million (negative fair value of $318 million as at December 31, 2000).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

(in millions of dollars)

13. DERIVATIVE INSTRUMENTS (cont'd)

The following table shows the notional amount of these swaps, expressed in Canadian dollars or in other currencies.

	2001 [a]	2000 [a]
Canadian dollars	(389)	(698)
U.S. dollars	(1 768)	(2 136)
Other currencies		
Japanese yen	57 500	65 500
Deutsche marks	856	1 456
Pounds sterling	300	310
Swiss francs	97	247
French francs	2 500	2 500
Euros	61	
Unidades de Fomento (indexed Chilean pesos)	(4)	

a) Figures in parentheses represent amounts to be paid.

In managing short-term financial risks, Hydro-Québec assesses, on an ongoing basis, the overall impact of variations in exchange rates, interest rates and the prices of raw materials. Hydro-Québec holds options and forward contracts designed to hedge several positions. It also uses derivative instruments to manage market risks resulting from fluctuations in energy prices. The fair value of these instruments is presented by specific risk in the following table. These derivative instruments mature through October 2004.

The fair value of derivative instruments reflects the amount that Hydro-Québec would receive (financial assets) or pay (financial liabilities) as at the balance sheet date in terminating these instruments.

	2001	2000
Exchange risk		
Forward exchange contracts and options		
Financial assets	38	39
Financial liabilities	(2)	(43)
	36	(4)
Interest rate risk		
Forward rate agreements, options and swaps		
Financial assets	33	1
Financial liabilities	(89)	
	(56)	1
Risk of change in energy and raw material prices		
Forward contracts, options and swaps		
Financial assets	32	30
Financial liabilities	(60)	(21)
	(28)	9
	(48)	6

13. DERIVATIVE INSTRUMENTS (cont'd)

The fair value of derivative instruments is based on the spot rates or forward rates or prices in effect at market closing as at the balance sheet date. Without this information for a given instrument, Management refers to the available forward rate or price for an equivalent instrument. Different valuation models recognized by financial markets are used to estimate the fair value of options.

Credit risk

Derivative instruments include an element of risk, since a counterparty might not meet its obligations. However, this risk is moderate as Hydro-Québec deals only with Canadian and international financial institutions with high credit ratings. Credit risk exposure is also reduced by applying a credit policy limiting credit risk concentrations and a customer credit risk evaluation program, as well as by adopting credit limits, where necessary. As at December 31, 2001, Hydro-Québec did not foresee any material loss arising from counterparty default.

14. INTERESTS IN JOINT VENTURES

The share of the principal joint venture items included in the consolidated financial statements is presented in the following table. These joint ventures specifically include the interest in Noverco Inc. and the Corporation's interests in various foreign joint ventures through Hydro-Québec International.

	2001	2000
Operations		
Revenue	1 148	864
Expenditure and financial expenses	1 095	807
Non-controlling interest	18	18
Net income	35	39
Balance sheet		
Current assets	186	191
Long-term assets	1 793	1 687
Current liabilities	216	256
Long-term liabilities	1 096	1 028
Non-controlling interest	174	180
Net assets	493	414
Cash flows		
Operating activities	125	92
Investing activities	(121)	(144)
Financing activities	(1)	63
Net change in cash and cash equivalents	3	11

Noverco Inc.

Hydro-Québec holds 41% of the outstanding common shares of Noverco Inc. and options on an additional 9%. Under the Noverco Inc. shareholders' agreement, the Corporation agreed to mechanisms enabling the joint owners to convert their interests into liquidities under certain conditions.

Noverco Inc., through its interest in Gas Métropolitain and Company, Limited Partnership (GMCLP), disclosed unrecorded future income taxes of $98 million on regulated activities in its 2001 financial statements using the tax liability method ($141 million in 2000 with the deferral method). In the past, the Régie de l'énergie and the National Energy Board have allowed these future income taxes to be included in GMCLP's rates as they become payable.

14. INTERESTS IN JOINT VENTURES (cont'd)

Noverco Inc. (cont'd)

GMCLP charges pension and other retirement benefits to income as the amounts are disbursed, in accordance with regulatory practice.

Foreign joint ventures

The Corporation holds interests in joint ventures through HQI. These joint ventures are essentially involved in the operation and construction of transmission systems and hydroelectric generating stations. They mainly operate in South and Central America and Australia.

15. SHAREHOLDER'S EQUITY

The authorized share capital comprises 50 000 000 shares with a par value of $100 each, and 43 741 090 shares were issued and paid.

Under the Hydro-Québec Act, any dividends to be paid by the Corporation are declared once a year by the Québec government, which also determines the terms and conditions of payment. For a given fiscal year, they cannot exceed the distributable surplus, equal to 75% of the year's operating income and net investment income, less interest on debt securities and amortization of borrowing discounts and expenses. This calculation is made on the basis of the consolidated financial statements.

However, in respect of a given fiscal year, no dividend may be declared in an amount that would have the effect of reducing the rate of capitalization to less than 25% at the end of the year. The government declares the dividends for a given year within 30 days after the Corporation has sent the government the financial data relative to the distributable surplus. On expiry of the time prescribed, any distributable surplus or part thereof that has not been subject to a dividend declaration may no longer be distributed to the shareholder as a dividend.

For 2001, the Québec government declared dividends of $554 million, which is less than the maximum permitted.

Dividends declared are deducted from the retained earnings of the year for which they were declared.

Accounting change in 2002

In December 2001, the Canadian Institute of Chartered Accountants published a revised version of CICA Handbook Section 1650, "Foreign Exchange Translation". The revised accounting standard abolishes the method of deferring and amortizing unrealized exchange gains and losses on foreign currency-denominated monetary items recorded in the balance sheet. The change applies to years beginning on or after January 1, 2002, and its application is retroactive.

As at January 1, 2002, initial application of these recommendations will reduce retained earnings by approximately $1 300 million.

16. CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	2001	2000
Accounts receivable	26	30
Materials, fuel and supplies	(23)	(24)
Accounts payable	92	31
Accrued interest	(38)	(13)
	57	24

17. EMPLOYEE FUTURE BENEFITS

The Corporation offers all its employees a contributory defined benefit pension plan, based on final pay. The Corporation's pension plan (the "Pension Plan") is a funded plan that ensures pension benefits based on number of years of service and average five best years of earnings. The Corporation also offers its active and retired employees other benefits including group life, medical and hospitalization, and salary insurance plans. However, most of these plans are not funded, with the exception of the long-term disability salary insurance plan, which is fully funded, and the supplementary group life insurance plan, which is partially funded.

The cost of pension benefits and other retirement benefits provided in exchange for services rendered during the year is calculated using the projected benefit method prorated on years of service, and is based on best estimate economic and demographic assumptions as determined by Management.

The following table presents information concerning the defined benefit plans, established by independent actuaries:

	Pension Plan		Other plans	
	2001	2000	2001	2000
Accrued benefit obligation				
Balance at beginning of year	6 966	5 988	522	460
Current service cost	214	171	19	16
Benefit payments and refunds	(321)	(322)	(31)	(26)
Interest on obligation	451	436	33	32
Actuarial losses (gains)	(79)	647	(20)	40
Adjustments arising from plan amendments			(12)	
Adjustments arising from personnel reduction programs		46		
Balance at end of year	7 231	6 966	511	522
Plan assets at fair value				
Balance at beginning of year	9 452	8 958	31	31
Actual return on plan assets during the year	33	831	1	
Employee contributions	13	3		
Hydro-Québec contributions		1	13	4
Benefit payments and refunds	(321)	(322)	(5)	(4)
Administrative fees	(28)	(19)		
Balance at end of year	9 149	9 452	40	31
Surplus (deficit) at end of year	1 918	2 486	(471)	(491)
Unamortized past service costs [a]	256	278		
Unamortized net loss (gain) [b]	194	(428)	(39)	(19)
Unamortized transitional obligation (asset) [a]	(1 825)	(1 977)	165	193
Unamortized adjustments arising from personnel reduction program [c]	92	186	2	6
Accrued benefit asset (liability)	635	545	(343)	(311)

17. EMPLOYEE FUTURE BENEFITS (cont'd)

	Pension Plan		Other plans	
	2001	2000	2001	2000
Significant actuarial assumptions (%)				
Discount rate	6.62	6.61	6.62	6.61
Expected rate of return on plan assets [d]	7.67	7.90	4.98	5.59
Salary escalation rate [e]	2.95	2.95		

a) Past service costs arising from plan amendments and transitional balances relating to the Pension Plan and other defined retirement benefits as at January 1, 1999, are amortized on a straight-line basis over the employees' expected average remaining service life. The transitional obligation relating to salary insurance plans is amortized on a straight-line basis over a period of five years.

b) Amortization of actuarial gains or losses is recognized in the expense for the year if the unamortized net actuarial gain or loss at the beginning of the year exceeds 10% of the value of the accrued benefit obligation or 10% of the market-related value of the assets of the plan fund, whichever is greater. Amortization corresponds to the excess divided by employees' expected average remaining service life.

c) Adjustments arising from personnel reduction programs are amortized on a straight-line basis over a period of 60 months, beginning the month following each individual commitment.

d) The expected return on Pension Plan assets is based on a market-related value determined by using a five-year moving average for equity securities held, and by valuing other asset classes at their fair value.

e) This rate is a weighted average which takes salary increases into account as well as promotion opportunities while in service.

As at December 31, 2001, health-care costs are based on an annual growth rate of 7.9% in 2002. Thereafter, based on the assumption used, this rate gradually decreases until it reaches the ultimate rate of 3.7% in 2012.

Plan assets include securities issued by the Corporation and certain related companies. These securities are grouped under the following asset classes:

	Pension Plan		Other plans	
	2001	2000	2001	2000
Bonds and debentures	689	742		
Shares	12	10		
Short-term investments		20	35	31
	701	772	35	31
Plan expense (credit)				
Current service cost, net of employee contributions [a]	185	157	19	16
Administrative fees [b]	28	19		
Interest on obligation	451	436	32	33
Expected return on plan assets	(718)	(650)	(1)	(1)
Amortization of transitional obligation (asset)	(152)	(152)	16	16
Amortization of net actuarial gain			(1)	(1)
Amortization of adjustments arising from personnel reduction programs	94	90	4	4
Amortization of past service costs	22	22		
Expense (credit) for the year	(90)	(78)	69	67

17. EMPLOYEE FUTURE BENEFITS (cont'd)

a) The value of the contribution holiday granted to employees for the year is disclosed net of service cost of contributions deemed paid and amortized using the method for amortizing actuarial gains and losses. For the long-term disability salary insurance plan, current service cost corresponds to the cost of new disability cases for the year.

b) Administrative fees chargeable to the Pension Plan are fully billed by the Corporation.

The Corporation and most of its employees have benefited from a Pension Plan contribution holiday since May 10, 1999.

During the year, changes were made to the funding formula for the supplementary group life insurance plan. These changes came into force in September and apply to all individuals insured under the plan, except for engineers, researchers and specialists, and retirees in those categories. These amendments, coupled with certain changes to the assumptions used, result in a reduction of $12 million in the accrued benefit obligation of Other plans.

18. COMMITMENTS AND CONTINGENT LIABILITIES

Electricity purchased

On May 12, 1969, the Corporation signed a contract with Churchill Falls (Labrador) Corporation Limited (CF(L)Co) whereby the Corporation undertook to purchase substantially all the energy generated at Churchill Falls generating station, which has a rated capacity of 5 428 MW. Under this agreement, the Corporation could be required to provide additional funding to service the debt of CF(L)Co and to pay its expenses should CF(L)Co be unable to do so. Expiring in 2016, this contract will be automatically renewed for a further 25 years under agreed-upon terms and conditions. On June 18, 1999, the Corporation and CF(L)Co also entered into a contract to guarantee the availability of 682 MW of additional power until 2041 for the November 1 to March 31 winter period.

As at December 31, 2001, the Corporation was committed under 77 contracts to purchase electricity from independent power producers for a potential capacity of about 810 MW. The Corporation expects to purchase approximately 4 TWh of energy annually over the initial term of these contracts, which extend through 2029. The majority of these contracts include renewal clauses.

Guarantees

Hydro-Québec has issued letters of credit or guarantees for an amount of $1 504 million as at December 31, 2001.

Capital expenditures

The Corporation expects to invest approximately $2 000 million in fixed assets in 2002.

Litigation

In the normal course of business, Hydro-Québec is party to claims and legal proceedings. Management is of the opinion that the outcome of these legal actions, which can currently be determined with reasonable certainty, will not have an adverse effect on the financial position or consolidated operating results of Hydro-Québec, given the provision for such expenditures.

Most of the claims that the Corporation received in respect of the 1998 ice storm have been withdraw.

19. SEGMENTED INFORMATION

Hydro-Québec's operations are divided into four segments based on its organizational structure, which reflects the method of managing the Corporation's activities:

Distribution: Hydro-Québec Distribution develops and operates the Corporation's distribution system and is responsible for sales and service to Québec customers.

19. SEGMENTED INFORMATION (cont'd)

Transmission: Hydro-Québec TransÉnergie develops and operates the Corporation's transmission system in Québec, in addition to managing and operating foreign transmission systems and carrying out development projects. The division also manages Hydro-Québec's telecommunications network.

Generation: Hydro-Québec Production operates and develops the Corporation's generating facilities in Québec as well as a number of foreign facilities. The division also sells electricity on external markets and engages in energy trading activities.

Engineering, Procurement and Construction: Hydro-Québec Ingénierie, approvisionnement et construction provides engineering services and constructs power facilities nationally and internationnally. The division also provides other services, particularly in procurement and information technology, to Hydro-Québec's business units.

Other: This segment comprises research and development, corporate activities, financial services and activities related to the gas sector.

The amounts presented for each segment are based on the financial information used to establish the consolidated financial statements. The accounting policies used in each segment are as described in Note 1.

Intersegment transactions related to electricity sales are recorded based on the supply and transmission rates provided under the Act to amend the Act respecting the Régie de l'énergie. The supply rate is determined in the Act for a maximum annual volume of heritage pool electricity consumption of 165 TWh. This volume was not reached in 2001.

The transmission rates used are those decreed by the Québec government in March 1997 pending a decision of the Régie de l'énergie with respect to the application for a transmission rate increase effective January 2001. Should changes be made, they would only affect intersegment revenue.

Other intersegment products and services are valued at full cost.

The following tables contain information related to operations and assets by segment and certain geographical information.

Segments

	2001						
	Distribution	Transmission	Generation	EPC [a]	Other	Intersegment [b]	Total
Revenue							
External customers	7 934	301	3 218	20	1 120	(15)	12 578
Intersegment	23	2 727	4 091	1 142 [c]	211	(8 194)	
Depreciation, amortization and decommissioning	429	578	671	66	101		1 845
Financial expenses	573	1 139	1 502	20	122	(6)	3 350
Net income (loss)	(454)	436	1 170	(16)	(28)		1 108
Capital expenditures	482	549	664	53	62		1 810
Total assets	9 545	18 223	24 275	533	2 282	5 003	59 861

19. SEGMENTED INFORMATION (cont'd)

Segments (cont'd)

	2000						
	Distribution	Transmission	Generation	EPC [a]	Other	Intersegment [b]	Total
Revenue							
External customers	7 887	66	2 523	108	869	(24)	11 429
Intersegment	25	2 710	4 091	1 250 [c]	187	(8 263)	
Depreciation, amortization and decommissioning	416	554	735	54	137		1 896
Financial expenses	591	1 060	1 578	33	107		3 369
Net income (loss)	(443)	399	1 253	(30)	(101)		1 078
Capital expenditures	429	695	603	30	55		1 812
Total assets	9 781	18 065	24 390	571	2 091	4 140	59 038

a) Engineering, Procurement and Construction.

b) Includes assets related to long-term financing that have not been allocated to the operating segments.

c) Intersegment revenue generated by the EPC segment includes an amount of $653 million ($786 million in 2000) that corresponds to capital expenditures in respect of its customers.

Geographical information

	2001		2000	
	Revenue	Fixed assets and goodwill	Revenue	Fixed assets and goodwill
Québec	9 100	48 071	8 862	48 027
Canada, outside Québec	114	2	113	
United States	3 055	277	2 331	226
Chile	222	1 639		1 597
Other countries	87	352	123	339
	12 578	50 341	11 429	50 189

HYDRO-QUÉBEC

MANAGEMENT REPORT

Hydro-Québec's consolidated financial statements and all additional information contained in the Annual Report are the responsibility of Management and are approved by the Board of Directors. Management's responsibility also includes the selection of appropriate accounting practices in accordance with Canadian generally accepted accounting principles, taking into account generally accepted accounting methods and practices of regulatory bodies. As required, Management makes informed judgments and prepares the most appropriate estimates of the outcome of events and transactions, with due consideration given to materiality. Financial information contained elsewhere in the Annual Report is consistent with that in the financial statements.

Management, in keeping with its responsibilities, maintains a control system, designed among other things to provide reasonable assurance that the assets of Hydro-Québec are adequately recorded and safeguarded and that the accounting records form an appropriate basis for the preparation of reliable financial statements. An internal auditing process allows evaluation of the sufficiency and efficiency of control, as well as of Hydro-Québec's policies and procedures. Recommendations ensuing from this process are submitted to Management and the Audit Committee.

The Board of Directors assumes its responsibility for the consolidated financial statements principally through its Audit Committee, composed solely of directors who do not hold full-time positions within the Corporation or in one of its subsidiaries. This committee's mandate is to ensure that the financial statements present fairly Hydro-Québec's financial position, the results of its operations and its cash flows. The Audit Committee meets regularly with Management, the General Auditor and the external auditors to review the results of their audits and the reports on Hydro-Québec's accounting methods and policies and on the control systems. The General Auditor and the external auditors have full and unrestricted access to the Audit Committee, with or without Management's presence.

Hydro-Québec has also established a code of ethics and a code of conduct primarily to ensure the proper management of its resources and the orderly conduct of business.

The consolidated financial statements have been audited jointly by accounting firms Samson Bélair/Deloitte & Touche and PricewaterhouseCoopers LLP.

Jacques Laurent
Chairman of the Board of Directors

André Caillé
President and Chief Executive Officer

Daniel Leclair
Vice-President - Finance
and Chief Financial Officer

Montréal, Québec
February 21, 2002

HYDRO-QUÉBEC

AUDITORS' REPORT

To the Minister of Finance of Québec

We have audited the consolidated balance sheet of Hydro-Québec as at December 31, 2001, and the consolidated statements of operations, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of Hydro-Québec's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Hydro-Québec as at December 31, 2001, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles as described in Note 1. As required by the Auditor General Act (R.S.Q., c. V-5.01), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Samson Bélair/Deloitte & Touche
Chartered Accountants

PricewaterhouseCoopers, LLP
Chartered Accountants

Montréal, Québec
February 21, 2002

HYDRO-QUÉBEC PENSION PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
as at December 31, 2001
(in millions of dollars)

	2001	2000
INVESTMENTS (Note 3)		
Bonds and debentures		
Canadian dollars	3 467	3 971
Foreign currencies	3	11
Shares		
Canadian dollars	2 747	2 916
Foreign currencies	2 177	1 845
Mortgage loans	89	81
Real estate investments	289	175
Short-term investments	313	358
	9 085	9 357
CASH	42	50
ACCOUNTS RECEIVABLE		
Interest and dividends	40	57
	9 167	9 464
Less:		
Accounts payable	18	12
NET ASSETS AVAILABLE FOR BENEFITS	9 149	9 452

On behalf of Hydro-Québec,
Yvon Lamontagne
Chairman of the Audit Committee

Jacques Laurent
Chairman of the Board

Montréal, Canada
March 15, 2002

HYDRO-QUÉBEC PENSION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
for the year ended December 31, 2001
(in millions of dollars)

	2001	2000
INCREASE IN ASSETS		
Investment income		
Interest	261	255
Dividends	86	75
	347	330
Member contributions	13	3
	360	333
DECREASE IN ASSETS		
Changes during the year in fair value of investments	314	(502)
Benefit payments	282	275
Transfers of values and refunds	39	47
Administrative and management fees	28	19
	663	(161)
CHANGE IN NET ASSETS	(303)	494
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	9 452	8 958
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	9 149	9 452

HYDRO-QUÉBEC PENSION PLAN

NOTES TO FINANCIAL STATEMENTS
December 31, 2001
(in millions of dollars)

1. DESCRIPTION OF PLAN

The following description of the Hydro-Québec Pension Plan (the "Plan") is a summary only. For more information, reference must be made to By-law 681 in respect of the Hydro-Québec Pension Plan (the "By-law") and the Act to amend the Supplemental Pension Plans Act and other legislative provisions (2000, c. 41) (Bill 102). This Act stipulates the amendments applicable to the Plan starting January 1, 2001 and the By-law is being amended accordingly. Temporary amendments, effective from January 1, 2000 to December 31, 2003 as well as some permanent amendments, were made to the By-law in 1999. See Note 1 b), e) and f).

a) General

The Hydro-Québec Pension Plan is a contributory defined benefit pension plan based on final pay and is registered with the Régie des rentes du Québec and the Canada Customs and Revenue Agency.

Hydro-Québec, as trustee, manages the aggregate of investments related to the Plan, called the pension fund.

b) Retirement benefits

Retirement benefits are based on an annual pension credit in respect of years of contributory service and the average best years of earnings. Earnings include, for the members, any lump sum paid under the company's Profit Sharing Plan, when only that plan applies. Earnings also include any lump sum related to performance management and provided for under a corporate program or plan (including, if applicable, the company's Profit Sharing Plan), up to a limit of 2/3 of the maximum amount provided for under the corporate programs or plan.

The following table presents the main elements of the benefits calculation.

Number of years of contribution	Annual pension credit	Reference period (average earnings)
Before 1996	2.00%	5 years
From 1966 to 1991	2.25%	5 years
From 1992 to 1998, whichever is most advantageous	2.00% 2.25%	3 years 5 years
After 1998	2.25%	5 years

After retirement, these benefits are indexed according to a formula based on the consumer price index.

Normal retirement age is 65. However, as of 55 years of age, members may receive an offset benefit or a normal retirement annuity, in accordance with the provisions of the By-law.

On the 65th birthday of a member, vested benefits are reduced by an amount determined pursuant to the By-law so as to be coordinated with the retirement benefits to be paid by the Régie des rentes du Québec.

A bridging benefit, payable until the age of 65, is also offered to members. The benefit is equal to 0.2% of average earnings over 5 years, up to the average maximum pensionable earnings of the 5 years preceding the date of termination of employment, death or retirement, multiplied by the number of years of contribution to the Plan prior to January 1, 2004.

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in millions of dollars)

1. DESCRIPTION OF PLAN (cont'd)

b) Retirement benefits (cont'd)

Temporary amendments

Until December 31, 2003, the Plan offers members the possibility of receiving a normal retirement annuity, regardless of their age, provided that the sum of their age and the number of years of contribution is 80 at the date of termination of employment.

c) Death benefits

In the event of death, benefits are payable to a spouse, eligible children or beneficiaries. Survivor benefits can be payable as an annuity, a refund or transfer of the value of an annuity, or a refund or transfer of the member contributions, as appropriate.

Such benefits may not, under any circumstances, be less than the contributions paid by the member, plus interest.

d) Termination benefits (deferred retirement benefits, transfers of values and refunds)

If the member is under 55 years of age at the time of termination of employment, the benefits payable will be the transfer of the actuarial present value of the retirement benefit or a deferred retirement benefit payable when the member reaches the age of 55. If the member is 55 years of age or older at the time of termination of employment, the member may receive an immediate retirement benefit on the first day of the month following termination of employment or a deferred retirement benefit.

Such benefits may not, under any circumstances, be less than the contributions paid by the member, plus interest.

e) Buyback of non-contribution periods

At the beginning of 2001, where applicable, the buyback rights and corresponding periods for members eligible to buy back non-contribution periods under the temporary buyback program, of which the cost to the employer was limited to $50 million, were confirmed. Members began paying the amount of their buyback in 2001. They were given the option of paying a single member contribution amount or spreading the amount payable over a maximum period of 5 years. These amounts are recorded as member contributions.

Temporary amendments

The By-law also provides for the purchase by members, until December 31, 2003, of various unpaid or partially paid leaves.

f) Funding

Member contributions and employer contributions have been suspended since May 10, 1999. This contribution holiday will remain in effect as long as the actuarial valuations for Plan funding purposes present a funding rate equal to or exceeding 110%.

The members and employer will recommence contributions if an actuarial valuation for Plan funding purposes presents a funding rate that is less than 110%. Member contributions cannot be increased by more than 1% of earnings each year, and employer contributions equal 180% of member contributions. Neither member contributions nor employer contributions may exceed 6.3% of earnings up to the basic exemption established by the Act respecting the Québec Pension Plan, 4.5% of that portion of earnings between the basic exemption and the maximum pensionable earnings established by the same Act and 6.3% of that portion of earnings exceeding the maximum pensionable earnings.

Unless otherwise provided for in the By-law, Hydro-Québec must also pay equalization contributions to make up any unfunded actuarial liability or pay any mount required to ensure solvency of the Plan.

1. DESCRIPTION OF PLAN (cont'd)

g) Transfer agreements

Under the By-law, the employer is permitted to enter into an agreement with any government, corporation or other organization with a pension plan, in order to facilitate reciprocal employee transfers. The amounts received under such agreements are paid to the Plan as member contributions and are used to recognize members' years of contribution to the Plan.

h) Administrative and management fees

According to the provisions of the By-law, administrative and management fees incurred by Hydro-Québec in respect of the Pension Plan are charged to the pension fund.

i) Income taxes

The Plan is a registered pension plan within the meaning of the Income Tax Act and therefore is not subject to income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Investments

Foreign currency bonds and debentures, and shares comprise investments denominated in foreign currencies, regardless of the residence of the investee.

Investments are shown at year-end fair value.

Bonds and debentures

Bonds and debentures are shown at average closing bond market prices.

Shares

Shares are shown at closing market prices. Dividends are recorded at the ex-dividend date.

Mortgage loans

Mortgage loans are shown at quoted fair value.

Real estate investments

Real estate investments are shown at the most recent estimated fair value. An independent appraisal is performed at least once a year.

Short-term investments

Short-term investments are shown at cost, which approximates their fair value.

Derivative instruments

Derivative instruments are presented at the closing price of financial markets in the related category of investments. Derivative instruments include foreign exchange forward contracts, options, futures contracts, warrants and swap agreements. Interest rate swaps are contracts whereby fixed-rate interest payments are exchanged for floating-rate interest receipts. Stock index and bond index swaps are contracts whereby fixed-rate or floating-rate interest payments are exchanged in consideration for a return based on changes in certain stock and bond indexes.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

b) Foreign currency translation

The fair value of the investments, interest and dividends receivable and cash that are denominated in foreign currencies are converted into Canadian dollars at year-end exchange rates. Revenue resulting from transactions made in foreign currencies is translated into Canadian dollars at exchange rates in effect at the transaction date.

3. MANAGEMENT OF INVESTMENT PORTFOLIO

As trustee, Hydro-Québec has adopted a pension fund investment management policy which sets forth the principles by Hydro-Québec prudently and diligently manages the investments of its pension fund in accordance with the applicable legislation and in the best interests of the members. This policy presents the benchmark portfolio (or long-term allocation target) based on the Plan's financial characteristics and obligations. Hydro-Québec favours diversifying the investment portfolio to mitigate risk. This policy also allows the prudent use of derivative instruments in order to effectively manage, at the lowest cost, the pension fund's assets and the risks inherent in the investment portfolio. Derivative instruments carry a certain risk in themselves, since a counterparty may fail to perform its obligations. This risk is moderate, however, because Hydro-Québec, as trustee, deals solely with a recognized stock exchange or with recognized financial institutions with high credit ratings.

As at December 31, 2001, 53% (48% as at December 31, 2000) of the portfolio was managed by external firms.

Bonds and debentures

As at December 31, 2001, the bond and debenture portfolio included an amount of $385 million attributable to interest rate, stock index and bond index swaps ($329 million as at December 31, 2000). It included real-return bonds and debentures with a fair value of $169 million ($27 million as at December 31, 2000).

Bond and debenture fair value is sensitive to changes in market interest rates. For information purposes, as at December 31, 2001, a 1% fluctuation in interest rates would results in a reverse fluctuation of approximately 7.8% (5.4% as at December 31, 2000) in the fair value of the bond and debenture portfolio.

Shares

As at December 31, 2001, 51% of shares in foreign currencies were denominated in United States dollars (50% as at December 31, 2000).

Short-term investments

As at December 31, 2001, short-term investments comprised $54 million attributable to stock market swaps and to futures contracts ($73 million as at December 31, 2000).

Exchange risk

The portfolio managers use foreign exchange forward contracts to hedge against foreign exchange risk. As at December 31, 2001, the notional amount of these contracts, established in Canadian dollars according to the exchange rates stipulated in the contracts, was $466 million and their fair value was $3 million.

Credit risk

As at December 31, 2001, the highest credit risk concentration was attributable to Government of Canada bonds and Treasury Bills. These investments, with a fair value of $1 246 million, represented 14% (16% as December 31, 2000) of the total investment portfolio.

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in millions of dollars)

3. MANAGEMENT OF INVESTMENT PORTFOLIO (cont'd)

Derivative instruments

The fair value as at December 31 of the Plan's investments, is presented in the following table, according to the classification criteria stipulated in the investment management policy and after giving effect to the allocation of derivative instruments.

	Investments	Derivative instruments	2001	2000
Bonds and debentures				
Canadian dollars	3 329	(145)	3 184	3 683
Foreign currencies	3		3	11
Shares				
Canadian dollars	2 788	274	3 062	3 268
Foreign currencies	2 174	2	2 176	1 845
Mortgage loans	89		89	81
Real estate investments	289		289	175
Short-term investments	390	(108)	282	294
	9 062	23	9 085	9 357

4. PENSION OBLIGATIONS

The actuarial consulting firm, Groupe-conseil Aon inc., issued a report on the costs and obligations of the Plan for accounting purposes. The report discloses the net assets available for benefits at the fair value, according to the financial statements, and the actuarial present value of accrued retirement benefits as at December 31, 2001.

The actuarial present value of accrued retirement benefits is determined using the projected benefit method prorated on years of service and Hydro-Québec Management's best estimate assumptions with respect to future events.

Value of net assets available for benefits	9 149
Actuarial present value of accrued benefits	
Balance at beginning of year	6 959
Accrued interest on accrued benefits	451
Accrued benefits	214
Benefit payments and refunds	(321)
Adjustments arising from experience gains or losses and from change in assumptions	(82)
Balance at end of year	7 221
Excess of value of net assets over actuarial present value of accrued retirement benefits	1 928

Furthermore, the most recent actuarial valuation of the Hydro-Québec Pension Plan for funding purposes, dated December 31, 1999, states that the value of net assets exceeds the actuarial present value of accrued retirement benefits of $1 002 million.

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in millions of dollars)

5. RELATED PARTY TRANSACTIONS

The pension fund's investments include securities issued by Hydro-Québec, Gaz Métropolitain Inc., Enbridge Inc. and the Province de Québec. These securities represent 7.7% of the net assets available for benefits (8.2% as at December 31, 2000).

6. CONTINGENCIES

A class action suit has been filed against the trustee of the fund, Hydro-Québec, in order to have it recognize the right of retired members to a share of the surplus of the Hydro-Québec Pension Plan. Management believes it is too early to assess the impact of the suit on the financial position of the Plan.

AUDITORS' REPORT

We have audited the statement of net assets available for benefits of the Hydro-Québec Pension Plan as at December 31, 2001 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of Hydro-Québec, as the Pension Fund's trustee. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Hydro-Québec's Management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Hydro-Québec Pension Plan as at December 31, 2001 and the changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Samson Bélair,
Deloitte & Touche
Chartered Accountants

Pricewatherhouse Coopers, LLP
Chartered Accountants

Montréal, Canada
February 12, 2002

IMMOBILIÈRE SHQ
(R.S.Q., c. I-0.3)

INCOME
for the year ended December 31, 2001
(in thousands of dollars)

	2001	2000
REVENUE		
Consideration receivable from agencies for use of fixed assets	182 221	185 277
Interest earned and other income	37 443	38 291
Compensation to organizations for loss on disposal of fixed assets	372	
Gouvernement du Québec subsidy	800	750
	220 836	224 318
EXPENDITURE		
Interest	185 800	192 087
Amortization	31 120	28 661
Loss on disposal of fixed assets	372	
Management fees	800	750
	218 092	221 498
NET INCOME FOR THE YEAR	2 744	2 820

RETAINED EARNINGS
for the year ended December 31, 2001
(in thousands of dollars)

	2001	2000
OPENING BALANCE	2 820	13 530
Remittance of retained earnings to Gouvernement du Québec (Note 7)		(13 530)
Net income for the year	2 744	2 820
CLOSING BALANCE	5 564	2 820

IMMOBILIÈRE SHQ

BALANCE SHEET
as at December 31, 2001
(in thousands of dollars)

	2001	2000
ASSETS		
Fixed assets (Note 3)	1 825703	1 857 228
Loans (Note 4)	460 296	471 679
Accrued interest on loans	7 264	7 507
Accounts receivable	39 232	37 780
Gouvernement du Québec subsidy receivable	50	
Cash and cash equivalents (Note 5)	36 170	36 372
	2 368 715	2 410 566
LIABILITIES		
Long-term debt (Note 6)	2 291 180	2 335 237
Deferred subsidies		
Canada Mortgage and Housing Corporation	5 240	5 282
Gouvernement du Québec	68	70
Interest accrued on long-term debt	53 083	53 627
Accounts payable	50	
	2 349 621	2 394 216
SHAREHOLDER'S EQUITY		
Capital stock (Note 7)	13 530	13 530
Retained earnings	5 564	2 820
	19 094	16 350
	2 368 715	2 410 566

On behalf of the Board of Directors,
Rita Bissonnette, Chairman
Jean-Luc Lesage, Vice-Chairman

IMMOBILIÈRE SHQ

CASH FLOWS
for the year ended December 31, 2001
(in thousands of dollars)

	2001	2000
OPERATING ACTIVITIES		
Net income for the year	2 744	2 820
Adjustments		
Amortization	31 120	28 661
Loss on disposal of fixed assets	372	
Variation of non-cash item		
Decrease in interest accrued on loans	243	187
(Increase) decrease in accounts receivable	(1 452)	2 273
Increase in subsidy receivable	(50)	
Decrease in deferred subsidies	(44)	(104)
Decrease of accrued interest on long-term debt	(544)	(1 540)
Increase of accounts payable	50	
Cash flows related to operating activities	32 439	32 297
FINANCING ACTIVITIES		
Repayment of long-term debt	(44 057)	(37 492)
Repayment of short-term borrowing		(1 853)
Cash flows related to financing activities	(44 057)	(39 345)
INVESTMENT ACTIVITIES		
Encashment on loans	11 383	10 854
Proceeds from disposal of fixed assets	33	
Cash flows related to investment activities	11 416	10 854
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(202)	3 806
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	36 372	32 566
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 5)	36 170	36 372
ADDITIONAL INFORMATION		
Interest paid	186 344	193 627

IMMOBILIÈRE SHQ

NOTES TO FINANCIAL STATEMENTS
December 31, 2001
(in thousands of dollars)

1. CONSTITUTION AND PURPOSE

The purpose of Immobilière SHQ, a legal entity with a partnership fund and an agent of the State, established by the Act respecting Immobilière SHQ (Q.S., 1999, c. 16), is:

- To acquire, with the related rights and obligations, residential buildings, notably those belonging to the Société d'habitation du Québec, and, for a consideration, to make these buildings available to municipal housing offices or other non-profit organizations wishing to operate them;

- To acquire the rights and obligations resulting from loans awarded by the Société d'habitation du Québec to municipal housing offices or other non-profit organizations.

Immobilière SHQ entrusted the Société d'habitation du Québec, legal entity established by a special statute (R.S.Q., c. S-8), with the mandate of administering, for a consideration, its property and the resulting obligations and the mandate of managing the everyday affairs related to this property.

2. ACCOUNTING POLICIES

The financial statements of the Immobilière SHQ have been prepared by Société d'habitation du Québec management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Fixed assets

Fixed assets are recorded at cost.

Amortization

Fixed assets are amortized over a service life varying between 35 and 40 years. Their amortization is calculated according to the annuity method (growing depreciation) at an annual rate of 7.5%.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term investments, highly liquid, that are easily convertible into a known amount of cash, whose value should not change significantly.

3. FIXED ASSETS

	2002			2000
	Cost	Accumulated depreciation	Net	Cost
Land *	102 512		102 512	102 519
Immoveables	1 783 119	59 928	1 723 191	1 754 709
	1 885 631	59 928	1 825 703	1 857 228

* Immobilière SHQ holds the superficiary user's rights, for an unlimited duration, for land belonging to the Ville de Montréal for $13.7 million.

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

4. LOANS

	2001				2000
	Fixed interest rates maturing				
	from 2007 to 2019	from 2020 to 2024	from 2025 to 2030	Total	Total
Loans guaranteed by real estate mortgages, repayable in monthly or annual instalments at an interest rate of:					
6.875%	10 771	70 084		80 855	85 667
7.000% to 7.500%	353	57 548	16 180	74 081	75 759
7.625% to 7.875%	109	115 187	54 877	170 173	173 074
8.000% to 8.625%		37 343	82 983	120 326	122 005
10.500% to 15.125%	1 901		203	2 104	2 148
	13 134	280 162	154 243	447 539	458 653
Unsecured loans, repayable in monthly instalments at an interest rate of:					
6.670%		476		476	489
6.875%		9 368		9 368	9 597
8.000%			2 913	2 913	2 940
		9 844	2 913	12 757	13 026
	13 134	290 006	157 156	460 296	471 679

Encashments receivable over the coming fiscal years on loans are as follows:

2002	8 841
2003	9 527
2004	10 267
2005	11 064
2006	11 925
	51 624
2007 to 2010	57 488
2011 to 2015	100 835
2016 to 2020	142 853
2021 to 2025	91 883
2026 to 2030	15 613
Total	460 296

5. CASH AND CASH EQUIVALENTS

	2001	2000
Cash on hand	4 670	36 372
Short-term investments, at cost 2.24% to 3.12%	31 500	
	36 170	36 372

6. LONG-TERM DEBT

	2001				2000
	Fixed interest rates maturing				
	from 2002 to 2006	from 2007 to 2014	from 2019 to 2032	Total	Total
Canada Mortgage and Housing Corporation					
Bonds					
5.545% to 6.880%, repayable in monthly instalments	714 634 *			714 634	730 442
6.875% to 11% repayable in annual or semi-annual instalments and redeemable in advance		353	418 045	418 398	428 578
5.944%, repayable in annual instalments		1 400	324 310	325 710	330 403
Loan guaranteed by real estate mortgage, 7.875%, repayable in monthly instalments			601	601	611
	714 634	1 753	742 956	1 459 343	1 490 034
Other					
Bonds, repayable in annual instalments and insured by the Canada Mortgage and Housing Corporation at interest rate of:					
9.300% to 10.500%	170 167 *			170 167	173 547
8.950% to 11.375%		661 195 *		661 195	671 168
Term loan, 6.670%, repayable in monthly instalments	475 *			475	488
	170 642	661 195		831 837	845 203
	885 276	662 948	742 956	2 291 180	2 335 237

* At term, the balance owing on these debts will be refinanced.

Assuming that refinancing would occur at term under the same conditions as when the financial statements were signed, the capital payments to make in the coming fiscal years on the long-term debt would be as follows:

2002	44 792
2003	48 304
2004	52 048
2005	56 140
2006	60 540
Amount carried forward	261 824

6. LONG-TERM DEBT (cont'd)

Amount brought forward	261 824
2007 à 2010	293 864
2011 à 2015	507 937
2016 à 2020	559 357
2021 à 2025	500 669
2026 à 2032	167 529
Total	2 291 180

7. CAPITAL STOCK

Immobilière SHQ share are held by the Minister of State for the Economy and Finance.

	2001	2000
Authorized 150 000 shares with a par value of $100 each		
Issued and paid up 135 300 shares	13 530	13 530

In keeping with the Act respecting Immobilière SHQ (S.Q. 1999, c. 16), the retained earnings as at January 1, 2000 were remitted to the Minister of State for the Economy and Finance, who underwrote them and paid Immobilière SHQ for 135 300 shares.

8. RELATED PARTY TRANSACTIONS

During the year, Immobilière SHQ carried out transactions with related parties. The amount of these transactions and the resulting balances in the financial statement at year-end are as follows:

	2001	2000
Société d'habitation du Québec		
Management fees	800	750
Accounts payable	43	
Société de gestion immobilière – SHQ		
Consideration payable by organizations for use of immoveables	2 607	2 608
Accounts receivable	424	432
Corporation d'hébergement du Québec		
Interest and other income	2 756	2 852
Loans	36 604	36 949
Interest accrued on loans	1 336	1 380

8. RELATED PARTY TRANSACTIONS (cont'd)

In addition to the related party transactions disclosed in its financial statements, measured at exchange value, Immobilière SHQ is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. Immobilière SHQ did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

9. FINANCIAL INSTRUMENTS

Interest rate risk

The interest rate risk is minimal since the interest rates and terms of the loans and long-term debt to which they apply are the same for all intents and purposes.

The interest rates risk for the long-term debt for immoveables belonging to Immobilière SHQ is also minimal since the consideration payable by agencies for the use of these immoveables equals the amount of capital, interest, costs and related amounts for all long-term debts and short-term borrowings contracted to finance the acquisition, construction or renovation of these immoveables.

Credit risk

Immobilière SHQ's exposure to credit risk in relation to assets is limited, given the large number of organizations comprising its clientele. Moreover, most of these organizations receive subsidies from the Gouvernement du Québec.

Short-term borrowings

Immobilière SHQ is authorized to contract short-term borrowings from financial institutions and from the Financing Fund of the Gouvernement du Québec to a maximum of $500 million.

Any borrowing contracted in keeping with this authorization will bear interest at the rate negotiated when the loan is contracted, generally the prime rate minus 1.5%.

10. COMPARATIVE FIGURES

Certain 2000 figures were reclassified for consistency with the presentation adopted in 2001.

IMMOBILIÈRE SHQ

MANAGEMENT'S REPORT

In keeping with the management agreement between the Société d'habitation du Québec and Immobilière SHQ, the financial statements of Immobilière SHQ were drawn up by management, which is responsible for providing complete, accurate data, notably significant judgements and estimates. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, the Société d'habitation du Québec maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that property is protected and transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements. The Société d'habitation du Québec's internal auditing services perform periodic audits to ensure that internal controls are applied properly, uniformly and on an ongoing basis.

Immobilière SHQ recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it. The board of directors oversees the manner in which the Société d'habitation du Québec performs its financial reporting duties, meets with the latter and the auditor general, reviews the financial statements and approves them.

The Auditor General of Québec has audited Immobilière SHQ's financial statements for the fiscal year ended December 31, 2001 in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the audit committee to discuss any matter related to the audit.

I am in a position to confirm that the Société d'habitation du Québec has properly met all of the obligations and commitments stipulated in the management contract.

Jacques Gariépy
President and Director General,
Société d'habitation du Québec

Québec, March 20, 2002

IMMOBILIÈRE SHQ

AUDITOR'S REPORT

To the Minister of State for the Economy and Finance

I have audited the balance sheet of the Immobilière SHQ as at December 31, 2001 and the statements of income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of Immobilière SHQ. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, Immobilière SHQ's financial position as at December 31, 2001 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, March 20, 2002

INSTITUT DE LA STATISTIQUE DU QUÉBEC
(R.S.Q., c. I-13.011)

REVENUE AND EXPENDITURE AND DEFICIT
for the year ended March 31, 2002

	2002	2001
REVENUE		
Gouvernement du Québec subsidies	$14 323 100	$13 782 700
Services rendered	6 169 421	5 227 480
Other revenue	137 640	179 425
	20 630 161	19 189 605
EXPENDITURE		
Salaries and fringe benefits	15 140 495	13 830 110
Professional fees	1 531 112	1 346 538
Rent	1 503 630	1 392 334
Purchase of statistical data	257 142	298 118
Computer services and supplies	473 093	560 810
Communications	314 323	395 954
Office expenses	227 409	237 010
Travel and accommodation expenses	371 153	296 632
Training costs	70 237	69 640
Printing costs	126 461	78 691
Depreciation of fixed assets	773 030	442 770
Other expenses	60 608	49 940
	20 848 693	18 998 547
EXCESS EXPENDITURE OVER REVENUE	(218 532)	191 058
DEFICIT, BEGINNING OF YEAR	(683 750)	(874 808)
DEFICIT, END OF YEAR	$(902 282)	$(683 750)

INSTITUT DE LA STATISTIQUE DU QUÉBEC

BALANCE SHEET
as at March 31, 2002

	2002	2001
ASSETS		
Current assets		
Cash on hand	$1 308 648	$2 069 247
Accounts receivable	2 678 279	1 466 109
Amounts receivable from the Gouvernement du Québec (Note 3)	266 199	266 199
Works in progress	180 787	337 056
Prepaid expenses	104 339	198 893
Inventory	21 664	21 045
	4 559 916	4 358 549
Amounts receivable from the Gouvernement du Québec (Note 3)	811 615	1 077 814
Fixed assets (Note 4)	5 005 385	1 945 995
	$10 376 916	$7 382 358
LIABILITIES		
Current liabilities		
Accounts payable	$1 907 321	$1 067 244
Client advances on service contracts	132 140	1 085 111
Deferred revenue	4 000 286	2 562 555
Vacation pay owing employees	1 403 208	1 234 815
	7 442 955	5 949 725
Deferred subsidy	1 382 426	
Provision for sick leave (Note 6)	2 453 817	2 116 383
	11 279 198	8 066 108
DEFICIT	(902 282)	(683 750)
	$10 376 916	$7 382 358

INSTITUT DE LA STATISTIQUE DU QUÉBEC

CASH FLOWS
for the year ended March 31, 2002

	2002	2001
OPERATING ACTIVITIES		
Excess expenditure over revenue	$(218 532)	$191 058
Adjustments for:		
Depreciation of fixed assets	773 030	442 770
Increase in the provision for sick leave	337 434	231 789
Loss on disposal of fixed assets		3 025
	891 932	868 642
Variation in non-cash elements linked to operations		
Variation in accounts receivable	(1 212 170)	328 644
Variation in prepaid expenses	94 554	(149 876)
Increase in inventories	(619)	(15 105)
Gouvernement du Québec receivables	266 199	1 476 231
Variation in accounts payable	267 304	(659 643)
Variation in advances from clients on service contracts	(952 971)	850 214
Variation in work under way	156 269	(184 589)
Increase in deferred revenue	1 437 731	722 145
Increase in vacation pay owing to employees	168 393	115 984
Increase in deferred subsidy	1 382 426	
Cash flows provided by operating activities	2 499 048	3 352 647
INVESTMENT ACTIVITIES		
Cash flows used for investment activities		
Acquisition of fixed assets	(3 259 647)	(1 443 169)
DECREASE (INCREASE) IN CASH ON HAND	(760 599)	1 909 478
CASH ON HAND, BEGINNING OF YEAR	2 069 247	159 769
CASH ON HAND, END OF YEAR	$1 308 648	$2 069 247

INSTITUT DE LA STATISTIQUE DU QUÉBEC

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

The Institut de la statistique du Québec was established by the Act respecting the Institut de la statistique du Québec (R.S.Q., c. I-13.011). Its purpose is to supply reliable, objective statistical information on the situation in Québec regarding all aspects of Québec society for which such information is relevant.

2. ACCOUNTING POLICIES

The Institut's financial policies were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Work in progress

Work in progress is assessed according to the headway that has been made.

Inventories

Publication inventories are evaluated at the lower of cost or market method.

Fixed assets

Fixed assets are recorded at acquisition cost and are depreciated over their service lives according to the straight-line method and at the following rates:

	Rate
Leasehold improvements	10%
Furniture	20%
Equipment	33 1/3%
Data processing equipment	33 1/3%
Computer development	20%
Software	33 1/3%
Telephone system	33 1/3%

Pension plans

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the Institut lacks sufficient information to apply the accounting procedure for defined-benefit plans.

Subsidy recording

The Gouvernement du Québec subsidy for the acquisition of fixed assets is recorded as a deferred subsidy and entered under operations using the same method and amortization rates as subsidized fixed assets.

3. AMOUNTS RECEIVABLE FROM THE GOUVERNEMENT DU QUÉBEC

Amounts receivable from the Gouvernement du Québec bear no interest. The long-term portion, which totals $811 615 (2001: $1 077 814), will be received over three years as follows: $266 199 in 2004 and 2005 and $279 217 in 2006.

4. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net	Net
Leasehold improvements	$504 843	$62 427	$442 416	$242 978
Furniture	345 769	80 056	265 713	146 049
Equipment	31 847	13 905	17 942	25 443
Data processing equipment	1 260 778	726 990	533 788	536 681
Computer development	3 988 627	473 305	3 515 322	795 318
Software	125 040	60 526	64 514	74 425
Telephone system	223 812	58 122	165 690	125 101
	$6 480 716	$1 475 331	$5 005 385	$1 945 995

Fixed assets classified under "Computer development" and recorded at a cost of $2 519 071 were not amortized during the year. The development work was not completed when the fiscal year ended.

5. AUTHORIZED CREDIT MARGIN

The Institut has rotating credit of $2 000 000 with the Consolidated Revenue Fund. Advances bear interest at the National Bank of Canada's prime rate and mature on March 31, 2003. At March 31, 2002, no advance had been contracted.

6. FUTURE FRINGE BENEFITS

Pension plans

The staff members of the Institut participate in the Government and Public Employees Retirement Plan (RREGOP), the Civil Service Superannuation Plan (CSSP) or the Pension Plan of Management Personnel (PPMP). These are interenterprise defined-benefit plans and include guaranteed payments upon retirement and death.

The Institut's contributions charged to the year-end statement amount to $451 488 (2001: $414 944). The Institut's liability towards the Government plans is restricted to its contributions as an employer.

Provision for sick leave

	2002	2001
Opening balance	$2 116 383	$1 884 594
Charge for the year	632 201	414 219
Benefits paid during the year	(294 767)	(182 430)
Closing balance	$2 453 817	$2 116 383

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
March 31, 2002

7. RELATED PARTY TRANSACTIONS

	2002	2001
Services rendered	$5 673 808	$4 795 497
Accounts receivable	2 208 936	1 347 164
Clients advances on service contracts	132 140	1 085 111
Deferred revenue	3 958 076	2 442 193

In addition to the related party transactions disclosed in its financial statements and recorded at exchange value, the Institut is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Institut did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

8. COMPARATIVE FIGURES

Certain 2001 figures were reclassified for consistency with the presentation adopted in 2002.

MANAGEMENT'S REPORT

The financial statements of the Institut de la statistique du Québec were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Institut de la statistique du Québec recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The Auditor General of Québec has audited the Institut's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion.

Yvon Fortin
Director General

Québec, July 17, 2002

INSTITUT DE LA STATISTIQUE DU QUÉBEC

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Institut de la statistique du Québec as at March 31, 2002 and the statements of revenue and expenditure and deficit and cash flows for the year then ended. These financial statements are the responsibility of Institut management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Institut's financial position as at March 31, 2002 and the results of its operations and its cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Compliance of operations with the Institut's incorporating legislation

Under section 38 of its incorporating legislation, the Institut may not make payments or assume obligations, except where stipulated by the Act, whose cost, in a given fiscal year, exceeds the amounts available to it for the year during which these payments are made or these obligations are assumed.

The $902 282 deficit for the fiscal year ended March 31, 2002 shows that the Institut made payments or assumed obligations whose cost exceeded the amounts available to it for fiscal 2001-2002. None of the exceptions stipulated in the Act applied. The Institut contravened its incorporating legislation.

In my auditor's report on the financial statements for the fiscal year ended March 31, 2001 presented for comparison purposes, I made the same comment concerning the Institut's failure to comply with its incorporating legislation.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, July 17, 2002

INSTITUT DE TOURISME ET D'HÔTELLERIE DU QUÉBEC
(R.S.Q., c. I-13.02)

REVENUE AND EXPENDITURE
for the year ended June 30, 2001

	2001	2000 (Note 3)
REVENUE		
Gouvernement du Québec subsidy (Note 4)	$16 068 102	$15 365 738
Retraining, vocational upgrading and customized training	436 010	312 967
Regular instruction	373 337	360 244
Food services	1 721 883	1 731 708
Lodging	1 276 087	1 185 567
Interest on investments	347 917	296 320
Professional services	930 226	684 406
Other revenue	504 646	425 803
	21 658 208	20 362 753
EXPENDITURE		
Salaries and fringe benefits	12 235 655	11 183 492
Education and administrative supplies	2 258 062	2 034 704
Maintenance, repairs and public services	1 318 250	1 252 066
Ancillary services	1 240 444	1 262 506
Financial expenses	259 263	327 190
Property and other taxes	975 184	917 226
Instructors, lecturers and student assistance	1 438 407	1 126 936
Communications and travelling	519 337	444 394
Other administrative expenses	161 771	198 530
Depreciation of fixed assets	1 311 411	1 326 302
	21 717 784	20 073 346
EXCESS EXPENDITURE OVER REVENUE	$(59 576)	$289 407

SURPLUS
for the year ended June 30, 2001

	2001	2000
SURPLUS, BEGINNING OF YEAR		
Previously established balance	$1 239 668	$932 764
Adjustment (Note 3)	(1 224 044)	(1 206 547)
Adjusted balance	15 624	(273 783)
Gouvernement du Québec subsidy for the obligation related to sick leave and vacation time	1 224 044	
Excess expenditure over revenue	(59 576)	289 407
SURPLUS, END OF YEAR	$1 180 092	$15 624

INSTITUT DE TOURISME ET D'HÔTELLERIE DU QUÉBEC

BALANCE SHEET
as at June 30, 2001

	2001	2000 (Note 3)
ASSETS		
Current assets		
Cash on hand	$246 088	$370 730
Short-term investments, at cost (Note 5)	2 079 429	1 717 343
Accounts receivable and accrued interest (Note 6)	529 084	714 856
Inventory (Note 7)	273 608	314 187
Prepaid expenses	671 957	627 597
Gouvernement du Québec subsidy receivable		
- Sick leave and vacation time	1 290 429	
- Other (Note 4)	1 203 412	1 955 950
Investments, at amortized cost		2 931 847
	6 294 007	8 632 510
Deferred expenses		5 562
Fixed assets (Note 8)	11 048 603	11 625 038
	$17 342 610	$20 263 110
LIABILITIES		
Current liabilities		
Accounts payable and accruals	$3 740 841	$5 153 546
Prepaid subsidy (Note 4)	528 341	
Instalment on long-term debt		2 698 000
	4 269 182	7 851 546
Deferred contributions (Note 9)	10 125 892	10 686 774
Provision for sick leave	1 115 717	1 057 439
	15 510 791	19 595 759
EQUITY		
Gouvernement du Québec contribution	651 727	651 727
Surplus	1 180 092	15 624
	1 831 819	667 351
	$17 342 610	$20 263 110

On behalf of the Board of Directors,
Richard Payette, President of the Board of Directors
Robert Gagnon, Vice-President of the Board of Directors and
President of the Audit Committee

INSTITUT DE TOURISME ET D'HÔTELLERIE DU QUÉBEC

CASH FLOWS
for the year ended June 30, 2001

	2001	2000 (Note 3)
OPERATING ACTIVITIES		
Excess expenditure over revenue	$(59 576)	$289 407
Adjustments for:		
Depreciation of fixed assets	1 311 411	1 326 302
Transfer of deferred contributions	(560 882)	(34 814)
Amortization of premiums on purchase of investments	33 183	93 604
Amortization of deferred expenses	5 562	7 416
Change in the provision for sick leave	58 278	(17 468)
	787 976	1 664 447
Change in the provision for sick leave and vacation time	1 224 044	
	2 012 020	1 664 447
Change in non-cash items related to operations		
Change in accounts receivable and accrued interest	185 772	74 181
(Increase) (decrease) in inventory	40 579	(11 879)
Increase in prepaid expenses	(44 360)	(67 270)
Variation in Gouvernement du Québec subsidies receivable	(537 891)	(96 040)
Increase in accounts payable and accruals	(884 364)	1 434 365
Cash flows provided by operating activities	(1 240 264)	1 333 357
	771 756	2 997 804
INVESTMENT ACTIVITIES		
Acquisitions of fixed assets	(734 976)	(1 284 148)
Acquisitions of long-term investments		(11 657 345)
Sale of long-term investments	2 898 664	10 674 800
Cash flows used for in investment activities	2 163 688	(2 266 693)
FINANCING ACTIVITIES		
Repayment of long-term debt	(2 698 000)	
Cash flowed used for financing activities	(2 698 000)	
INCREASE IN CASH AND CASH EQUIVALENTS	237 444	731 111
CASH AND CASH EQUIVALENT, BEGINNING OF YEAR	2 088 073	1 356 962
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 12)	$2 325 517	$2 088 073

NOTES TO FINANCIAL STATEMENTS
June 30, 2001

1. CONSTITUTION AND PURPOSE

The Institut de tourisme et d'hôtellerie du Québec is a corporation established under a special act (R.S.Q., c. I-13.02) to provide vocational training in the fields of hotel management, restaurant services and tourism, and to conduct research, supply technical assistance, produce information and provide services in those fields.

Sums received by the Institut must be used to discharge its obligations and, at the Government's request, the balance must be paid into the Consolidated Revenue Fund.

2. ACCOUNTING POLICIES

The financial statements of the Institut were prepared by management on the accrual basis in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is calculated according to the first in, first out (FIFO) method.

Deferred expenses

Bond discounts and issue expenses on the long-term debt are deferred and amortized according to the straight-line method over the term of the borrowings.

Fixed assets

Fixed assets are recorded at cost and depreciated over their estimated service life according to the straight-line method at the following annual rates:

Building and permanent leasehold improvements	4% and 10%
Kitchen equipment and technical material	10%
Furnishings and layout	10%
Computer equipment and software	20%

Deferred contributions

Contributions for the acquisition of fixed assets that can be amortized are deferred and transferred to revenues using the same method and rates as those used to amortize the fixed assets to which they correspond.

Pension plan

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the Institut lacks sufficient information to apply the accounting procedure for defined-benefit plans.

3. CHANGE IN ACCOUNTING POLICY

The obligations resulting from vacation time and sick leave accumulated by Institut employees at the end of the fiscal year are recorded as liabilities. The annual change in these liabilities is posted to the fiscal year's expenditures. Previously, these expenditures were recorded when Institut employees used their holidays.

This change, applied retroactively increases (reduces) the following items in the financial statements:

	2001	2000
Salaries and fringes benefits	$66 385	$17 497
Excess of expenditure over revenue	(66 385)	(17 497)
Accounts payable and accruals (vacation time accrued)	174 712	166 605
Provision for sick leave	1 115 717	1 057 439
Surplus	(1 290 429)	(1 224 044)

NOTES TO FINANCIAL STATEMENTS (cont'd)
June 30, 2001

4. GOUVERNEMENT DU QUÉBEC SUBSIDY

	2001	2000
Received	$16 815 300	$15 259 584
Receivable at the end of the fiscal year:		
Long-term debt related to fixed assets		505 875
Operations	1 203 412	723 300
Fixed assets		726 775
Deferred from the previous year:		
Deferred contributions – fixed assets	10 483 874	10 493 988
	28 502 586	27 709 522
Receivable at the beginning of the fiscal year:		
Long-term debt related to fixed assets	505 875	1 180 375
Operations	723 300	545 275
Fixed assets	726 775	134 260
Deferred to the following year:		
Deferred contributions – fixed assets	9 950 193	10 483 874
Prepaid subsidy – fixed assets	528 341	
	12 434 484	12 343 784
	$16 068 102	$15 365 738

5. SHORT-TERM INVESTMENTS

Short-term investments comprise bonds and deposits that can be cashed at any time and bear interest at rates varying between 6.1 and 8%

The Institut received $40 000 from a foundation to administer a bursary program reserved for student training sessions. At June 30, 2001, $55 124 was included under short-term investments. This amount was composed of capital and interest income. At June 30, 2001, no bursary had been paid.

6. ACCOUNTS RECEIVABLE AND ACCRUED INTEREST

	2001	2000
Tax refund receivable	$42 756	$67 601
Retraining, vocational upgrading and customized education	110 692	168 969
Regular instruction		5 113
Lodging and food services	161 911	245 631
Accrued interest on investments	35 175	58 659
Other	178 550	168 883
	$529 084	$714 856

7. INVENTORY

	2001	2000
Small kitchen equipment	$67 971	$97 240
Maintenance supplies and tools	92 821	98 685
Food and beverages	112 816	118 262
	$273 608	$314 187

8. FIXED ASSETS

	2001			2000
	Cost	Accumulated Depreciation	Net	Net
Land	$795 900		$795 900	$795 900
Building and permanent leasehold improvements *	18 680 067	$9 617 996	9 062 071	9 510 894
Kitchen equipment and technical material *	1 187 463	496 260	691 203	694 203
Furnishings and layout	538 240	313 963	224 277	289 373
Computer equipment and software *	1 141 382	866 230	275 152	334 668
	$22 343 052	$11 294 449	$11 048 603	$11 625 038

* Fixed assets include unamortized projects under way for $180 921.

In March 2000, the Institut submitted a preliminary report on the building's re-qualification to the Government for approval. When these financial statements were published, this report was still being studied.

During this fiscal year, the Government planned to use an initial $1 800 000 from its budget allowance to finance renovation and modernization of the Institut's building and facilities. At June 30, 2001, work costing $1 271 659 had been done.

9. DEFERRED CONTRIBUTIONS

Deferred contributions include the non-amortized portion of the contributions received for fixed assets in the form of subsidies from the Gouvernement du Québec or other agencies.

	2001	2000
Gouvernement du Québec		
Opening balance	$10 483 874	$10 493 988
Gouvernement du Québec subsidy	588 546	1 146 336
Amortization of the deferred contribution	(1 122 228)	(1 156 450)
Closing balance	9 950 192	10 483 874
Other		
Opening balance	202 900	227 600
Amortization of the deferred contribution	(27 200)	(24 700)
Closing balance	175 700	202 900
	$10 125 892	$10 686 774

10. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements and recorded at exchange value, the Institut is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Institut did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

11. FRINGE BENEFITS

Pension plan

The staff members of the Institut participate in the Government and Public Employees Retirement Plan (RREGOP). This is an interenterprise defined-benefit plan and includes guaranteed payments upon retirement and death.

The Institut's contributions charged to the year-end statement amount to $359 718 (2000: $410 620). The Institut's liability towards this Government plan is restricted to its contributions as an employer.

The employer contribution rate for regular RREGOP service to December 31, 1999 corresponded to 5.22% of the pensionable earning for bargainable employees (5.02% for participants subject to management exclusion). Subsequent to changes made to the plan, as of January 1, 2000, the employer contribution rate for regular service corresponds to 3.51% of the pensionable earnings for bargainable employees (0.79% for participants subject to management exclusion).

	2001	2000
Provision for sick leave		
Opening balance	$1 057 439	$1 074 907
Plus: Change for the year	58 278	(17 468)
Closing balance	1 115 717	1 057 439
Provision for vacation time		
Opening balance	166 605	166 576
Plus: Change for the year	8 107	29
Closing balance	174 712	166 605
	$1 290 429	$1 224 044

12. CASH FLOWS

The cash and cash equivalents shown in the cash flow statement include the following amounts recorded in the balance sheet:

	2001	2000
Cash on hand	$246 088	$370 730
Short-term investments	2 079 429	1 717 343
	$2 325 517	$2 088 073

Interest paid by the Institut during the fiscal year totalled $209 557 (2000: $283 290).

INSTITUT DE TOURISME ET D'HÔTELLERIE DU QUÉBEC

MANAGEMENT'S REPORT

The financial statements of the Institut de tourisme et d'hôtellerie were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Institut recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors must oversee the manner in which management performs its financial reporting duties, and has approved the financial statements. It is assisted by the audit committee, whose members are not management. This committee meets with management and the auditor, examines the financial statements and recommends their approval to the board of directors.

The Auditor General of Québec has audited the Institut's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the audit committee to discuss any matter related to the audit.

Christine Martel
Director General

Julien Girard, CGA
Director, Financial Resources
and Procurement

Montréal, September 7, 2001

INSTITUT DE TOURISME ET D'HÔTELLERIE DU QUÉBEC

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Institut de tourisme et d'hôtellerie du Québec as at June 30, 2001 and the statements of revenue and expenditure, surplus and cash flows for the year then ended. These financial statements are the responsibility of Institut management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

I conducted my audit in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Institut's financial position as at June 30, 2001 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, given the retroactive application of the change to the accounting treatment of vacation time and sick leave accumulated by the employees disclosed in Note 3, these principles were applied on a basis consistent with that of the preceding year.

Guy Breton, FCA
Auditor General of Québec

Québec, September 7, 2001

INSTITUT NATIONAL DE SANTÉ PUBLIQUE DU QUÉBEC
(R.S.Q., c. I-13.1.1)

INCOME
for the period ended March 31, 2002

	2002			2001		
	Regular activities	Special projects	Total	Regular activities	Special projects	Total
REVENUE						
Gouvernement du Québec subsidy (Note 3)	$19 776 112	$6 045 529	$25 821 641	$17 726 567	$4 157 999	$21 884 566
Government of Canada subsidy		1 027 464	1 027 464		460 423	460 423
Other subsidies	147 048	435 930	582 978	53 310	190 508	243 818
Sales of services	711 880	1 778 259	2 490 139	613 375	1 343 993	1 957 368
Amortization of deferred contributions	317 224	9 346	326 570	402 179		402 179
Interest	184 355		184 355	249 466		249 466
Contribution from a health and social services network establishment				157 519		157 519
	21 136 619	9 296 528	30 433 147	19 202 416	6 152 923	25 355 339
EXPENDITURE						
Salaries and fringe benefits	12 192 959	2 855 194	15 048 153	10 576 918	2 008 445	12 585 363
Medical and laboratory supplies	1 259 714	2 026 476	3 286 190	1 322 725	1 590 817	2 913 542
Contribution to operating expenses of the national public health component of the health and social services network	2 981 984		2 981 984	1 980 306		1 980 306
Professional and administrative services	690 316	1 643 101	2 333 417	681 481	464 420	1 145 901
Rent	1 438 901		1 438 901	1 383 801		1 383 801
Office expenses	396 353	402 272	798 625	300 048	74 302	374 350
Depreciation of fixed assets	515 347	170 130	685 477	509 215	28 577	537 792
Travel expenses	391 725	146 070	537 795	259 717	36 847	296 564
Support for expertise	300 000		300 000	329 574		329 574
Telecommunications	267 701	11 935	279 636	240 415	1 241	241 656
Training	130 182	113 158	243 340	73 010	11 896	84 906
Maintenance and repairs	207 942	24 692	232 634	204 902	25 284	230 186
Documentation	144 802	22 043	166 845	225 984	274	226 258
Automotive equipment	69 634	6 782	76 416	67 394		67 394
Committee operation fees	38 601	20 623	59 224	25 668	14 088	39 756
Equipment rental	7 898	35 011	42 909	3 604	992	4 596
Insurance	9 379	299	9 678	8 331		8 331
Interest and bank charges	8 235		8 235	7 815	165	7 980
Debt write-off				854 040	109 182	963 222
	21 051 673	7 477 786	28 529 459	19 054 948	4 366 530	23 421 478
EXCESS REVENUE OVER EXPENDITURE	$84 946	$1 818 742	$1 903 688	$147 468	$1 786 393	$1 933 861

INSTITUT NATIONAL DE SANTÉ PUBLIQUE DU QUÉBEC

SURPLUS
for the year ended March 31, 2002

	2002	2001
UNAPPROPRIATED SURPLUS		
Opening balance	$242 857	$95 389
Surplus of proceeds over regular activity costs for the fiscal year	84 946	147 468
Closing balance	$327 803	$242 857
APPROPRIATED SURPLUS (Note 4)		
Opening balance	$4 268 203	$2 481 810
Surplus of proceeds over special projects costs for the fiscal year	1 818 742	1 786 393
Closing balance	$6 086 945	$4 268 203

INSTITUT NATIONAL DE SANTÉ PUBLIQUE DU QUÉBEC

BALANCE SHEET
as at March 31, 2002

	2002	2001
ASSETS		
Current assets		
Cash on hand	$4 822 932	$5 353 227
Accounts receivable (Note 5)	4 311 731	2 336 318
Long-term receivable maturing in the coming fiscal year (Note 6)	97 813	
Deposits on acquisition of assets	700 000	429 260
Prepaid expenses	73 661	24 540
Supply stock – at cost	154 439	154 966
	10 160 576	8 298 311
Long-term receivable (Note 6)	552 187	
Fixed assets (Note 7)	3 357 800	1 912 085
	$14 070 563	$10 210 396
LIABILITIES		
Current liabilities		
Accounts payable and accruals (Note 8)	$4 839 162	$3 928 085
Long-term debt maturing in the coming fiscal year (Note 9)	97 813	
	4 936 975	3 928 085
Long-term debt (Note 9)	552 187	
Provision for sick leave (Note 11)	468 309	512 317
Deferred contributions	1 698 344	1 258 934
	7 655 815	5 699 336
SURPLUS		
Unappropriated surplus	327 803	242 857
Appropriated surplus	6 086 945	4 268 203
	6 414 748	4 511 060
	$14 070 563	$10 210 396

COMMITMENTS (note 12)

On behalf of the Board of Directors,
Louis-Étienne Bernard
André Fortin

INSTITUT NATIONAL DE SANTÉ PUBLIQUE DU QUÉBEC

CASH FLOWS
for the year ended March 31, 2002

	2002	2001
OPERATING ACTIVITIES		
Excess of revenue over expenditure	$1 903 688	$1 933 861
Adjustments for:		
Depreciation of fixed assets	685 477	537 792
Amortization of deferred contributions	(326 570)	(402 179)
Debt write-off		963 222
	2 262 595	3 032 696
Change in non-cash elements related to operations		
Increase in accounts receivable	(1 975 413)	(1 130 634)
Increase in prepaid expenses	(49 121)	(22 553)
Change in supply stocks	527	(154 966)
Increase in accounts payable and accruals	1 022 535	1 221 888
Increase in provision for sick leave	(44 008)	236 513
	(1 045 480)	150 248
Cash flows related to operating activities	1 217 115	3 182 944
INVESTMENT ACTIVITIES		
Acquisition of fixed assets (Note 7)	(2 242 650)	(491 929)
Long-term receivable	(650 000)	
Deposits on acquisition of fixed assets	(270 740)	(429 260)
Cash flows used for investment activities	(3 163 390)	(921 189)
FINANCING ACTIVITIES		
Long-term debt	650 000	
Deferred contributions	765 980	772 648
Cash flows provided by financing activities	1 415 980	772 648
(DECREASE) INCREASE OF CASH ON HAND	(530 295)	3 034 403
CASH ON HAND, BEGINNING OF YEAR	5 353 227	2 318 824
CASH ON HAND, END OF YEAR	$4 822 932	$5 353 227

INSTITUT NATIONAL DE SANTÉ PUBLIQUE DU QUÉBEC

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

The Institut, established by the Act respecting the Institut national de santé publique du Québec (R.S.Q., chapter I-13.1.1), is a legal person and agent of the State. Its mission is to support the Minister of Health and Social Services and the regional boards established under the Act respecting health services and social services (R.S.Q., c. S-4.2) in exercising their public health mission.

2. ACCOUNTING POLICIES

The financial statements of the Institut were prepared by management in accordance with the auditing principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Fixed assets

Fixed assets are recorded at cost and depreciated over their service lives on a straight-line basis at the following rates:

Specialized equipment	10 to 20%
Computer equipment	20 to 66 2/3%
Automotive equipment	10 to 66 2/3%
Furnishings and equipment	20 to 40%
Leasehold improvements	20 %

Deferred contributions

Contributions received for acquisition or in the form of amortizable fixed assets are deferred and transferred to proceeds using the same method and rates as those used to amortize the fixed assets to which they refer.

Pension plans

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the Institut lacks sufficient information to apply the accounting procedure for defined-benefit plans.

3. GOUVERNEMENT DU QUÉBEC SUBSIDIES

	2002	2001
Operation	$19 776 112	$17 676 567
Special projects	6 045 529	4 157 999
Other		50 000
	$25 821 641	$21 884 566

4. APPROPRIATED SURPLUS

The Board of Directors of the Institut decided to appropriate the surplus for carrying out special projects to its development, notably to supplement the financing of immovables, infrastructure and special projects related directly to its mission, when technically possible and without compromising the activities of the projects under way.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
March 31, 2002

5. ACCOUNTS RECEIVABLE

	2002	2001
Gouvernement du Québec	$3 070 051	$1 711 949
Regional boards and health and social services Network establishments	247 511	265 643
Other	994 169	358 726
	$4 311 731	$2 336 318

6. LONG-TERM RECEIVABLE

Under a mandate conferred on it by the Ministère de la Santé et des Services sociaux du Québec for the acquisition and operation of a mobile mammogram breast cancer-detection unit, the Institut has a long-term receivable. A long-term debt was contracted for the same amount.

	2002	2001
Long-term receivable, fixed rate of 4%, encashable by monthly payments of $10 169 including capital and interest, maturing March 2003	$650 000	
Less: portion maturing in the coming fiscal year	(97 813)	
	$552 187	

Amounts receivable over the next six fiscal years break down as follows based on the assumption that they will be renewed at the same conditions:

2003	$97 813
2004	101 798
2005	105 945
2006	110 262
2007	114 754
2008	119 428
	$650 000

7. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net	Net
Specialized equipment	$2 653 148	$748 618	$1 904 530	$1 526 570
Computer equipment	1 611 236	536 374	1 074 862	194 926
Automotive equipment	161 974	34 094	127 880	31 201
Furnishings and equipment	311 017	114 615	196 402	119 048
Leasehold improvements	70 100	15 974	54 126	40 340
	$4 807 475	$1 449 675	$3 357 800	$1 912 085

Acquisitions totalled $2 131 192 (2001: $849 211), of which $1 850 043 (2001: $456 604) was disbursed during the fiscal year. An amount of $392 607 (2001: $35 325) was disbursed during the year for acquisitions dating from the previous fiscal year.

8. ACCOUNTS PAYABLE AND ACCRUALS

	2002	2001
Gouvernement du Québec	$377 837	$145 016
Regional boards and health and social services network establishments	1 379 318	1 046 174
Other	3 082 007	2 736 895
	$4 839 162	$3 928 085

9. LONG-TERM DEBT

	2002	2001
Borrowing on a note, guaranteed by the Québec Minister of Health and Social Services, fixed rate of 4%, repayable in monthly instalments of $10 169 including capital and interest, maturing March 2003	$650 000	
Less: portion maturing in the coming fiscal year	(97 813)	
	$552 187	

Amounts payable over the next six fiscal years break down as follows based on the assumption that they will be refinanced on a borrowing on a note at the same conditions:

2003	$97 813
2004	101 798
2005	105 945
2006	110 262
2007	114 754
2008	119 428
	$650 000

10. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements and recorded at book value, the Institut is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Institut did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
March 31, 2002

11. FUTURE FRINGE BENEFITS

Pension plans

The staff members of the Institut participate in the Government and Public Employees Retirement Plan (RREGOP), the Civil Service Superannuation Plan (CSSP) or the Pension Plan of Management Personnel (PPMP). These are interenterprise defined-benefit plans and include guaranteed payments upon retirement and death.

The Institut's contributions charged to the year-end statement amount to $386 816 (2001: $332 260). The Institut's liability towards the Government plans is restricted to its contributions as an employer.

Provision for sick leave

	2002	2001
Opening balance	$512 317	$275 804
Transfer after health and social services network activities ceased		245 746
Charge for the year	318 040	239 062
Benefits paid during the year	(362 048)	(248 295)
Closing balance	$468 309	$512 317

12. COMMITMENTS

At March 31, 2002, the minimum contractual commitments payable for the acquisition of goods and services related to supply contracts break down as follows:

2003	$829 003
2004	1 107 942
2005	1 107 942
2006	1 107 942
2007	1 107 942
2008 and thereafter	10 315 285
	$15 576 056

INSTITUT NATIONAL DE SANTÉ PUBLIQUE DU QUÉBEC

MANAGEMENT'S REPORT

The financial statements of the Institut national de santé publique du Québec were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Institut recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors must oversee the manner in which management performs its financial reporting duties, and has approved the financial statements.

The Auditor General of Québec has audited the Institut's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the Board of Directors to discuss any matter related to the audit.

Louis-Étienne Bernard
President and Chief Executive Officer

Jean-Louis Coulombe, CMA
Director of Financial and Material Resources

Québec, June 27, 2002

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Institut national de santé publique du Québec as at March 31, 2002 and the statements of income and surplus and cash flows for the year then ended. These financial statements are the responsibility of Institut management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Institut's financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year

Doris Paradis, CA
Acting Auditor General of Québec

Québec, June 27, 2002

INVESTISSEMENT QUÉBEC
(R.S.Q., c. I-16.1)

CONSOLIDATED STATEMENT OF INCOME AND SURPLUS
for the fiscal year ended March 31,
(in thousands of dollars)

	2002	2001
Interest income and interest contribution from the Québec government (Note 16)	61 667	71 691
Risk premium – Québec government (Note 17)		13 637
Risk premiums – client companies		
Stock options	832	2 630
Others	14 157	6 290
Guarantee fees	9 171	6 603
Commitment fees	6 830	5 100
Gain on disposal of shares	15	
Share of earnings distributed by a partnership	8 309	
Other income	746	699
	101 727	106 650
Interest charges (Note 18)	(42 996)	(54 615)
Fees to financial intermediaries – immigrant investors	(2 743)	(57)
NET INCOME BEFORE PROVISION FOR LOSSES AND THE FOLLOWING ITEMS	55 988	51 978
Provision for losses (Note 9)	(114 695)	(54 237)
Provision for losses recoverable from the Québec government (Note 9)	99 532	12 880
NET INCOME BEFORE THE FOLLOWING ITEMS	40 825	10 621
Financial contributions (Note 19)	(112 822)	(164 460)
Financial contributions assumed by the Québec government (Note 19)	112 787	164 460
Operating and administrative expenses (Note 20)	(37 692)	(34 723)
Administration fees – Québec government	26 799	26 034
Other expenses	(464)	(354)
NET INCOME BEFORE SHARE OF INCOME FROM AN AFFILIATED COMPANY	29 433	1 578
Share of income from an affiliated company	(4)	(15)
NET INCOME	29 429	1 563
SURPLUS AT THE BEGINNING	96 941	95 378
SURPLUS AT THE END	126 370	96 941

The notes are an integral part of the financial statements.

INVESTISSEMENT QUÉBEC

CONSOLIDATED BALANCE SHEET
as at March 31,
(in thousands of dollars)

	2002	2001
ASSETS		
Temporary investments (Note 3)	34 101	250
Investments (Note 4)	155 009	1 311
Loans, less accumulated provision for losses (Notes 5 and 9)	699 169	661 348
Shares, less accumulated provision for losses (Notes 6 and 9)	67 913	70 758
Units, less accumulated provision for losses (Notes 7 and 9)	21 355	19 864
Accumulated provision for losses recoverable from the Québec government (Note 9)	253 904	175 032
Fixed assets (Note 10)	5 778	6 049
Other assets (Note 11)	20 808	70 512
TOTAL ASSETS	1 258 037	1 005 124
LIABILITIES AND EQUITY		
LIABILITIES		
Outstanding cheques less cash	796	
Bank overdraft		32 284
Short-term debt (Note 12)	355 100	221 500
Long-term debt (Note 13)	537 298	489 916
Interest due and accrued on loans (Note 14)	9 207	11 008
Accumulated provision for losses on loan guarantees (Notes 8 and 9)	175 467	102 592
Other liabilities (Note 15)	20 855	17 939
	1 098 723	875 239
EQUITY		
Initial equity	32 944	32 944
Surplus	126 370	96 941
	159 314	129 885
TOTAL LIABILITIES AND EQUITY	1 258 037	1 005 124
GUARANTEES, LESS ACCUMULATED PROVISION FOR LOSSES (Notes 8 and 9)	703 831	601 284

The notes are an integral part of the financial statements.

For the Board of Directors,
Maurice Prud'homme, Chairman of the Board
Léopold Beaulieu, Director

INVESTISSEMENT QUÉBEC

CONSOLIDATED STATEMENT OF CASH FLOWS
for the fiscal year ended March 31,
(in thousands of dollars)

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	29 429	1 563
Adjustments for:		
Amortization of long-term debt discount and issue expenses	75	75
Amortization of investment discount	(2 976)	(10)
Amortization of deferred fees to financial intermediaries – immigrant investors	555	1
Gain on disposal of shares	(15)	
Transfer of deferred income	(192)	(192)
Provision for losses	114 695	54 237
Provision for losses recoverable from the Québec government	(99 532)	(12 880)
Depreciation of fixed assets	2 027	1 482
Share of income from an affiliated company	4	15
	44 070	44 291
Changes in non-cash items related to operating activities (Note 21)	42 492	(37 860)
	86 562	6 431
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Acquisition of investments	(150 726)	(1 216)
Net decrease (increase) of loans	(37 715)	21 033
Net decrease (increase) of shares	(3 313)	4 513
Net decrease (increase) of units	57	(3 845)
Acquisition of fixed assets	(1 756)	(1 509)
Deferred fees to financial intermediaries - immigrant investors	(8 752)	(57)
	(202 205)	18 919
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase of short-term debt	133 600	46 000
Long-term debt	195 600	1 600
Repayment of long-term debt	(148 218)	(106 475)
	180 982	(58 875)
NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS	65 339	(33 525)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(32 034)	1 491
CASH AND CASH EQUIVALENTS AT END OF YEAR	33 305	(32 034)

CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)
for the fiscal year ended March 31,
(in thousands of dollars)

	2002	2001
CASH AND CASH EQUIVALENTS		
Outstanding cheques less cash	(796)	
Bank overdraft		(32 284)
Temporary investments	34 101	250
	33 305	(32 034)
ADDITIONAL INFORMATION		
Interest paid	44 606	55 754

The notes are an integral part of the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
as at March 31, 2002
(in thousands of dollars)

1. INCORPORATING LEGISLATION AND NATURE OF ACTIVITIES

Investissement Québec is a public law legal entity incorporated and governed under the Act respecting Investissement Québec and La Financière du Québec (R.S.Q., c. I-16.1), as amended by chapter 69 of the acts of 2001, and, as such, is not subject to income taxes.

Investissement Québec's mission is to promote investment growth in Québec. It centralizes and consolidates Government action in research, promotion and support for investment. It strives not only to stimulate domestic investment, but also to attract outside investors by promoting Québec as an excellent place for investment. Investissement Québec participates in the growth of businesses by facilitating research and development as well as exports. By lending its support to companies already established here, it works to retain current investment in Québec. It can also offer companies and government departments, agencies and corporations a variety of technical services, particularly in the fields of financial analysis, credit arrangement and portfolio management. Investissement Québec administers the financial assistance programs developed by the government with regard to investment. The Corporation also administers the Act respecting Québec Business Investment Companies (R.S.Q., c. S-29.1), and fulfils any mandate assigned to it by the Government under section 28 of its incorporating statute.

On December 20, 2001, the corporate name Garantie Québec was replaced by La Financière du Québec, following the introduction of the Act respecting La Financière du Québec (2001, chapter 69). The purpose of La Financière du Québec, a wholly owned subsidiary of Investissement Québec, is to use its financing operations to support Québec companies or companies that are setting up operations in Québec, mainly by granting them loans or guaranteeing the financial commitments they make to financial institutions. It also administers the financial assistance programs stemming from the Act respecting assistance for the development of cooperatives and non-profit legal persons (R.S.Q., c. A-12.1), as amended by chapter 69 of the 2001 acts.

Section 46 of the Act respecting Investissement Québec and La Financière du Québec states that the Corporation shall establish a business plan, which includes the activities of its subsidiaries, according to the form, content and frequency determined by the Québec government. This plan was approved on July 7, 1999 (decree number 827-99) and ended on March 31, 2001. However, under section 47 of the same act, this plan shall continue to apply until a new business plan is approved. This business plan was still being developed as at March 31, 2002.

2. MAIN ACCOUNTING POLICIES

The consolidated financial statements of the Corporation were prepared by management according to the accrual accounting method and the accounting policies disclosed below. These financial statements include amounts based on best judgments and estimates.

The consolidated financial statements comprise the financial statements of Investissement Québec and those of its wholly owned subsidiaries: La Financière du Québec, IQ Immigrants Investisseurs inc., 9037-6179 Québec inc., 9071-2076 Québec inc. and 9109-3294 Québec inc.

Cash and Cash Equivalents

The Corporation presents, under cash and cash equivalents, its outstanding cheques less cash, bank overdraft as well as temporary investments maturing no later than three months following their acquisition date.

Investments

Investments are accounted for at cost. Interest income is accounted for using the accrual method of accounting. Discounts on investments are charged to the statement of income according to the real-interest method until maturity.

Investment in an affiliated company is accounted for at the consolidated value.

Loans, Shares and Units

Loans, including accrued interest receivable, shares and units are recorded at cost. When credit quality has deteriorated to the extent that there is no reasonable assurance that a loan (principal and interest) will be collected in full, the loan is considered impaired. The reduction in the carrying amount then recognized and any subsequent changes are applied to the provision for losses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
as at March 31, 2002
(in thousands of dollars)

2. MAIN ACCOUNTING POLICIES (cont'd)

Loans, Shares and Units (cont'd)

Interest income from loans is recorded using the accrual accounting method. When a loan not guaranteed by the Québec government becomes impaired and the borrower owes more than three months' interest, the interest ceases to be recognized. The interest received on such loans is recorded as a recovery up to the amount written off or for which a provision has been entered, and is subsequently recorded as interest income.

The share of earnings distributed by a partnership and dividend income on shares are recorded using the accrual accounting method. Gains and losses on disposal of shares are entered on the date of transfer or sale of the shares.

The carrying amount of loans not guaranteed by the Québec government and restructured as low-interest or interest-free loans or as non-participating shares is reduced to the value of net cash flows receivable under the new terms at the effective interest rate inherent in the loan. The reduction in the carrying amount resulting from the restructuring is applied to the provision for losses. The increase in the discounted value over time is recorded as interest income.

Foreclosed assets held for sale are considered as impaired loans and are recorded at the lesser of the balance of the loan at the time of foreclosure or the estimated net proceeds from the sale of the assets. The reduction in the carrying amount then recognized and any subsequent changes are applied to the provision for losses.

Participating shares stemming from restructured loans not guaranteed by the Québec government are recorded at their book value immediately after the loans have been restructured. The difference between the carrying amount of a loan prior to restructuring and the book value of the resulting shares is applied to the provision for losses. Any subsequent decrease in the book value of the shares is also applied to the provision for losses. Any subsequent increase is recognized only upon the sale of the shares, as a gain on the disposal of shares during the current year.

Guarantees

The balance of guarantees, less the accumulated provision for losses, is shown at the end of the Corporation's balance sheet.

Guarantee claims are recorded once they have been approved by the Corporation. Disbursements are then applied to reduce the guarantee balance and the accumulated provision for losses on guarantees.

When the Corporation considers that there is reasonable assurance that a loan will be repaid, these disbursements are recorded as assets in accordance with the accounting policies applicable to loans, shares and units.

Accumulated Provision for Losses

The accumulated provision for losses on loans, shares and units is shown on the Corporation's balance sheet, offset against the value of its assets. The accumulated provision for losses on loan guarantees in effect is entered as a liability on the balance sheet. According to the Corporation, these provisions provide the most accurate estimate possible of the foreseeable risk of losses on financing operations that are part of its portfolio.

Except for companies that benefit from business start-up and re-start investment programs, client companies are classified under five risk categories, determined using solvency and credibility criteria; this classification is updated constantly.

One of these categories is insolvent clients, while another comprises companies that are likely to become insolvent in the short term. All impaired loans are found in one of these two categories. The provision for losses on financing operations included in these two categories corresponds to the balance of each operation, net of the estimated realizable value of securities, to which a percentage adjustment is applied based on loan collection experience for the files in these categories. When a company assigned to either category is winding up, has ceased repaying the Corporation and is unlikely to put its finances in order, the related financing operations are written off.

The three other risk categories comprise companies whose financial profile corresponds to that of the Corporation's target clientele. A group provision is calculated for each of these categories by applying a provision rate to the financing operations balance. The provision rate for each category is based on a statistical analysis of the number and size of the losses noted or deemed probable one year after the companies are classified.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
as at March 31, 2002
(in thousands of dollars)

2. MAIN ACCOUNTING POLICIES (cont'd)

Accumulated Provision for Losses (cont'd)

Financing operations whose cumulative balance per company is exceptionally high and which are included in one of the above-mentioned risk categories are covered by a specific provision for losses.

A global provision is calculated for business start-up and re-start investment programs. This provision corresponds to the amount of loan guarantees in effect, to which a rate based on past experience is applied, less disbursements in respect of loan guarantees under these programs.

Certain loans may be forgiven according to the conditions set out in the loan agreement. The provision for losses on these loans integrates the insolvency risk mentioned above and the risk inherent in the loan agreement.

Special class shares are non-participating shares, with no dividends or redemption date. These shares are covered by a specific provision for losses.

Accumulated Provision for Losses Recoverable from the Québec Government

The Québec government assumes a share of the Corporation's provision for losses. This share corresponds to the provision for losses on financing operations guaranteed by the Québec government.

Receivable from the Québec Government

The Québec government contributes to the Corporation's financing by reimbursing the financial contributions and losses on guaranteed financing operations, by contributing to interest payments on certain financing operations, and by paying fees to the Corporation. The receivable balance for these contributions appears under the heading "Other Assets".

Fixed Assets

Fixed assets are recorded at cost. They are depreciated as of their start-up date, according to the straight-line method over their estimated useful lives, at the following rates:

Software and computer equipment	33 1/3%
Information systems development	20%
Office furniture	10%
Leasehold improvements	10%

Long-Term Debt Discount and Issue Expenses

Discount and issue expenses related to long-term debt are deferred and amortized according to the straight-line method over the term of the loan concerned.

Land for Sale

Land is evaluated at cost or at the net realizable value, whichever is less. The cost includes expenses related to decontamination and clean-up work.

Deferred Income

The Québec government's contribution for the acquisition of fixed assets is deferred and transferred to the statement of income according to the same method and the same rates used for depreciating fixed assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
as at March 31, 2002
(in thousands of dollars)

2. MAIN ACCOUNTING POLICIES (cont'd)

Risk Premiums – Client Companies

When approving a loan or loan guarantee, the Corporation generally requires a risk premium from the client company. This premium, which takes the form of a stock option, is recorded when an agreement is reached with the client concerning the exact amount and date of payment of the premium. The premium, in the form of a share in earnings, is payable and recorded no later than six months after the end of the company's fiscal year. The lump-sum premium is recorded when due according to the contract.

Gains on the disposal of shares acquired following the exercise of an option are shown under the heading "Risk premiums – Stock Options" in the Corporation's statement of income.

Financial Contributions

Financial contributions are made up of non-refundable financial contributions and conditional-refund financial contributions.

Financial contributions are charged to the statement of income for the fiscal year in which the Corporation approved the payment. The corresponding contribution from the Québec government for the financial contributions it assumes is then deemed to have been earned by the Corporation.

Subsequent recoveries of conditional-refund financial contributions are charged to the statement of income for the current fiscal year. The Québec government's refund, representing 90% of the recovery, is recorded in the statement of income for the current fiscal year.

Fees Paid to Financial Intermediaries – Immigrant Investors

Through one of its subsidiaries, the Corporation pays fees to financial intermediaries for canvassing immigrant investors, for finding companies to recommend for a non-refundable financial contribution, and for closing immigrant investors' files.

Fees paid for canvassing an immigrant investor are accounted for once the company has accepted the financing operation. These fees are deferred and charged to the statement of income for the duration of the corresponding investment, according to the straight-line depreciation method. Fees paid for finding a company to recommend for a non-refundable financial contribution are recorded once the company has accepted the financing operation. Fees for closing an immigrant investor's file are recorded upon maturity of the investment.

Pension Plans

The Corporation contributes to inter-company government defined benefit plans. These contributions are accounted for according to the accounting policies concerning defined contribution plans, since the Corporation does not have sufficient data to apply the policies for defined benefit plans.

Currency Translation

Guarantees expressed in foreign currency are translated into Canadian dollars at the rate applicable as at the balance sheet production date. The statements of income are translated at the prevailing exchange rate as at the transaction date.

3. TEMPORARY INVESTMENTS

	2002	2001
Banker's acceptances, from 2.02% to 2.12%, maturing between April 3, 2002 and May 15, 2002	34 101	250

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
as at March 31, 2002
(in thousands of dollars)

4. INVESTMENTS

	2002	2001
Notes receivable from the Québec government, from 4.34% to 6.01%, maturing between January 24, 2006 and March 27, 2007	154 928	1 226
Affiliated company, capital investment, at the consolidated value	81	85
	155 009	1 311

5. LOANS, LESS ACCUMULATED PROVISION FOR LOSSES

	2002			2001
	Not Guaranteed by the Québec Government	Guaranteed by the Québec Government	Total	Total
Loans				
Interest-bearing				
Fixed rate[1]	13 067	112 401	125 468	139 594
Variable rate [2]	54 885	44 172	99 057	96 377
	67 952	156 573	224 525	235 971
Interest-free	314	470 498	470 812	443 893
Restructured	3 023		3 023	7 724
Impaired	28 647	108 483	137 130	110 187
	99 936	735 554	835 490	797 775
Accumulated provision for losses				
Interest-bearing loans	(8 148)	(5 551)	(13 699)	(24 926)
Interest-free loans	(27)	(17 359)	(17 386)	(11 432)
Restructured loans	(2 619)		(2 619)	(3 539)
Impaired loans	(20 972)	(81 645)	(102 617)	(96 530)
	(31 766)	(104 555)	(136 321)	(136 427)
	68 170	630 999	699 169	661 348
Anticipated cash receipts from loans break down as follows:				
Less than one year	19 290	106 074	125 364	141 922
From 1 to 2 years	14 893	51 537	66 430	80 110
From 2 to 3 years	10 880	101 247	112 127	84 021
From 3 to 4 years	13 747	54 286	68 033	103 421
From 4 to 5 years	13 446	74 190	87 636	60 242
From 5 to 10 years	25 532	197 840	223 372	166 610
More than 10 years	2 148	150 380	152 528	161 449
	99 936	735 554	835 490	797 775

(1) Fixed interest rates stood at between 3% and 12% as at March 31, 2002 (between 3% and 12.5% as at March 31, 2001).
(2) The Corporation's variable interest rate was 5.25% as at March 31, 2002 (8.25% as at March 31, 2001).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
as at March 31, 2002
(in thousands of dollars)

6. SHARES, LESS ACCUMULATED PROVISION FOR LOSSES

	2002			2001
	Not Guaranteed by the Québec Government	Guaranteed by the Québec Government	Total	Total
Shares				
Common	3 074	21 818	24 892	18 062
Preferred	441	70 701	71 142	71 154
Of a special class		9 303	9 303	11 950
From restructured loans	3 227		3 227	4 070
	6 742	101 822	108 564	105 236
Accumulated provision for losses				
Common shares	(1 940)	(18 908)	(20 848)	(13 182)
Preferred shares	(311)	(8 686)	(8 997)	(7 700)
Special class of shares		(9 303)	(9 303)	(11 950)
Shares from restructured loans	(1 503)		(1 503)	(1 646)
	(3 754)	(36 897)	(40 651)	(34 478)
	2 988	64 925	67 913	70 758
The share redemption maturities break down as follows:				
Less than one year				300
From 2 to 3 years				250
From 3 to 4 years	34	34	68	250
From 4 to 5 years	616	45	661	316
From 5 to 10 years	184	16 812	16 996	698
More than 10 years		45 000	45 000	61 636
	834	61 891	62 725	63 450
No specific maturity	5 908	39 931	45 839	41 786
	6 742	101 822	108 564	105 236

The Corporation holds shares issued by public companies. The net book value of these shares as at March 31, 2002 was $2 358 thousand ($2 432 thousand as at March 31, 2001). According to stock market quotations as at March 31, 2002, these shares had a value of $7 990 thousand ($10 360 thousand as at March 31, 2001).

7. UNITS, LESS ACCUMULATED PROVISION FOR LOSSES

	2002			2001
	Not Guaranteed by the Québec Government	Guaranteed by the Québec Government	Total	Total
Units				
Preferred of cooperatives	64	2 578	2 642	2 699
Of partnerships		18 949	18 949	18 949
	64	21 527	21 591	21 648
Accumulated provision for losses				
Preferred units of cooperative	(6)	(230)	(236)	(1 784)
Partnership units				
	(6)	(230)	(236)	(1 784)
	58	21 297	21 355	19 864
The unit redemption maturities break down as follows:				
Less than on year		4	4	
From 1 to 2 years		7	7	4
From 2 to 3 years		373	373	7
From 3 to 4 years	4	18 586	18 590	373
From 4 to 5 years	4		4	18 586
From 5 to 10 years	11	122	133	122
	19	19 092	19 111	19 092
No specific maturity	45	2 435	2 480	2 556
	64	21 527	21 591	21 648

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
as at March 31, 2002
(in thousands of dollars)

8. GUARANTEES, LESS ACCUMULATED PROVISION FOR LOSSES

	2002			2001
	Not Guaranteed by the Québec Government	Guaranteed by the Québec Government	Total	Total
Guarantees				
Loans	249 837	348 472	598 309	505 473
Financial commitment	46 589	234 400	280 989	198 403
	296 426	582 872	879 298	703 876
Accumulated provision for losses				
Loans guarantees	(52 501)	(99 926)	(152 427)	(84 856)
Financial commitment guarantees	(10 744)	(12 296)	(23 040)	(17 736)
	(63 245)	(112 222)	(175 467)	(102 592)
	233 181	470 650	703 831	601 284
The guarantee maturities break down as follows:				
Less than one year	58 589	52 937	111 526	78 145
From 1 to 2 years	19 730	34 241	53 971	57 253
From 2 to 3 years	9 549	6 211	15 760	55 454
From 3 to 4 years	20 718	2 615	23 333	20 325
From 4 to 5 years	14 820	70 179	84 999	20 805
From 5 to 10 years	167 712	95 017	262 729	235 560
More than 10 years	5 308	321 672	326 980	236 334
	296 426	582 872	879 298	703 876

9. ACCUMULATED PROVISION FOR LOSSES

	2002			2001
	Financing Operations not Guaranteed by the Québec Government	Financing Operations Guaranteed by the Québec Government [1]	Total	Total
Balance at beginning of year	100 249	175 032	275 281	262 608
Provision for losses	15 163	99 532	114 695	54 237
Recoveries	409	227	636	3 691
Write-offs [2]	(10 903)	(11 826)	(22 729)	(24 620)
Guarantee disbursements that did not give rise to an asset	(6 147)	(9 061)	(15 208)	(20 635)
	98 771	253 904	352 675	275 281

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
as at March 31, 2002
(in thousands of dollars)

9. ACCUMULATED PROVISION FOR LOSSES (cont'd)

The accumulated provision for losses breaks down as follows:

	2002			2001
	Financing Operations not Guaranteed by the Québec Government	Financing Operations Guaranteed by the Québec Government [1]	Total	Total
Loans	31 766	104 555	136 321	136 427
Shares	3 754	36 897	40 651	34 478
Units	6	230	236	1 784
Guarantees	63 245	112 222	175 467	102 592
	98 771	253 904	352 675	275 281

The provision for losses takes into account the value of securities related to companies that are insolvent or that would likely become insolvent in the short term.

(1) Corresponds to the "Accumulated provision for losses recoverable from the Québec government" shown as an asset on the balance sheet.

(2) Write-offs in the form of restructured loans amount to $214 thousand for the fiscal year ended March 31, 2002 ($103 thousand as at March 31, 2001).

10. FIXED ASSETS

	2002			2001
	Cost	Accumulated Depreciation	Net Value	Net Value
Software and computer equipment	2 430	(1 340)	1 090	1 485
Information systems development	5 641	(3 035)	2 606	3 171
Office furniture	385	(54)	331	212
Leasehold improvements [1]	2 054	(303)	1 751	1 181
	10 510	(4 732)	5 778	6 049

(1) Leasehold improvements concern fixed assets belonging to or rented by the Société immobilière du Québec.

11. OTHER ASSETS

	2002	2001
Receivable from the Québec government	9 929	67 799
Long-term debt discount and issue expenses [1]	111	186
Deferred fees to financial intermediaries – immigrant investors	8 253	56
Lands for sale (Note 25) [2]	270	184
Other receivables [3]	2 245	2 287
	20 808	70 512

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
as at March 31, 2002
(in thousands of dollars)

11. OTHER ASSETS (cont'd)

(1) Transactions concluded with the Fonds de financement du gouvernement du Québec.
(2) One of the tenants has the option to buy the land according to the terms of its rental agreement. The other tenant has the option to buy the land for one dollar.
(3) Include $80 thousand receivable from related entities as at March 31, 2002.

12. SHORT-TERM DEBT

	2002	2001
Bankers' acceptances - financial institutions, from 2.16% to 2.24%, maturing between April 1 and May 1, 2002	193 600	168 000
Notes – Fonds de financement du gouvernement du Québec, from 2.13% to 2.14 %, maturing between April 2 and 24, 2002	161 500	53 500
	355 100	221 500

Under decree number 341-99, dated March 31, 1999, the Corporation is authorized to take out active short-term loans totalling up to $450 000 thousand, until March 31, 2002. Pursuant to decree numbers 310-2002 and 311-2002, the Corporation and its subsidiary La Financière du Québec are authorized, as of April 1, 2002, to take out active short-term loans totalling up to $700 000 thousand, until March 31, 2003, and $600 000 thousand thereafter until September 30, 2006, with financial institutions or the Fonds de financement du gouvernement du Québec. The total active short-term loans for the two corporations cannot exceed these limits.

As at March 31, 2002, the Corporation had a bank line of credit of $10 000 thousand renewable annually. The amounts taken bear interest at the lender's prime rate.

13. LONG-TERM DEBT

	2002	2001
Notes – Fonds de financement du gouvernement du Québec:		
- 9.31%, matured February 18, 2002		148 218
- 9.25%, maturing April 1, 2002	171 214	171 214
- at the banker's acceptance rate (3 months) plus 0.168%, maturing August 21, 2002	34 768	34 768
- 7.50%, maturing December 1, 2003 (effective rate of 7.89%)	34 116	34 116
- at the banker's acceptance rate (3 months) plus 0.034% maturing December 1, 2003	100 000	100 000
Notes – immigrant investors, interest-free, maturing between January 24, 2006 and March 27, 2007 (1)	197 200	1 600
	537 298	489 916

Repayments of the principal on long-term debt over the next five years breaks down as follows:

2003	205 982
2004	134 116
2005	—
2006	1 600
2007	195 600

(1) Payment of principal is guaranteed by the Québec government.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
as at March 31, 2002
(in thousands of dollars)

14. INTEREST DUE AND ACCRUED ON DEBT

	2002	2001
Financial institutions		24
Fonds de financement du gouvernement du Québec	9 207	10 984
	9 207	11 008

15. OTHER LIABILITIES

	2002	2001
Deferred income [1]	2 512	2 449
Non-refundable financial contributions and guarantees payable	7 748	6 766
Sick leave and vacations payable (Note 24)	7 367	6 747
Other payables [2]	3 228	1 977
	20 855	17 939

(1) Includes the Québec government's deferred contribution for the acquisition of fixed assets and the Ministère des Régions' deferred contribution to the investors' and promoters' data bank of amounts representing $384 thousand and $50 thousand, respectively, as at March 31, 2002 ($577 thousand and $50 thousand as at March 31, 2001).

(2) Include $1 765 thousand due to related parties as at March 31, 2002 ($885 thousand as at March 31, 2001).

16. INTEREST INCOME AND INTEREST CONTRIBUTION FROM QUÉBEC GOVERNMENT

	2002	2001
Interest on loans	24 686	25 836
Interest on investments	2 976	10
Interest on temporary investments	383	20
Interest on cash	58	104
Interest contribution from Québec government on low- or zero-yield guaranteed financing operations [1]	33 564	45 721
	61 667	71 691

(1) This contribution concerns financing operations guaranteed by the Québec government. It corresponds to the surplus of the Corporation's average borrowing cost over the yield of these operations.

17. RISK PREMIUM – QUÉBEC GOVERNMENT

Until March 31, 2001, the Québec government paid the Corporation a premium to take into account the risk associated with financing operations whose losses are borne by the Corporation. This premium corresponded to 7% of the amount of the financing operations authorized by the Corporation. This premium was replaced on April 1, 2001. The government now covers 50% of losses on the financing operations in question.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
as at March 31, 2002
(in thousands of dollars)

18. INTEREST CHARGES

	2002	2001
Interest on long-term debt [1]	35 655	44 935
Interest on short-term debt and bank charges [1]	7 266	9 355
Guarantee charges on long-term debt [2]		250
Amortization of long-term debt discount and issue expenses [2]	75	75
	42 996	54 615

(1) Interest charges on loans taken out with the Fonds de financement du gouvernement du Québec totalled $35 655 thousand for long-term debt and $2 744 thousand for short-term debt for the fiscal year ended March 31, 2002 ($43 076 thousand and $2 739 thousand for the fiscal year ended March 31, 2001).

(2) Transactions concluded with the Fonds de financement du gouvernement du Québec.

19. FINANCIAL CONTRIBUTIONS

	20002			2001
	Not Assumed by the Québec Government	Assumed by the Québec Government [1]	Total	Total
Non-refundable financial contributions [2]	35	98 627	98 662	164 030
Conditional-refund financial contribution		14 160	14 160	430
	35	112 787	112 822	164 460

(1) Correspond to "Financial contributions assumed by the Québec government" shown in the statement of income and surplus.

(2) Include a financial contribution in the form of the assumption of certain expenses related to a piece of land for sale whose decontamination and clean-up is assumed by the Corporation, for an amount of $1 478 thousand as at March 31, 2002.

20. OPERATING AND ADMINISTRATIVE EXPENSES [1]

	2002	2001
Salaries and employee benefits	23 718	22 146
Rent	2 562	2 511
Travel, entertainment, advertising and promotion	5 020	4 285
Fees	899	1 274
Depreciation of fixed assets	2 027	1 482
Others	3 466	3 025
	37 692	34 723

(1) Include $3 654 thousand to related entities for the fiscal year ended March 31, 2002 ($3 645 thousand for the fiscal year ended March 31, 2001).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
as at March 31, 2002
(in thousands of dollars)

21. CHANGES IN NON-CASH ITEMS RELATED TO OPERATING ACTIVITIES

	2002	2001
Other assets	57 826	(26 961)
Interest due and accrued on debt	(1 801)	(1 428)
Other liabilities	3 108	2 255
Accumulated provision for losses	(37 301)	(41 564)
Accumulated provision for losses recoverable from the Québec government	20 660	29 838
	42 492	(37 860)

22. COMMITMENTS

Financing operations authorized, not disbursed or implemented or whose disbursement had not been authorized as at March 31.

	2002			2001
	Not Guaranteed by the Québec Government	Guaranteed by the Québec Government	Total	Total
Loans	17 761	598 409	616 170	291 869
Units				2 379
Guarantees	109 525	857 897	967 422	606 051
Financial contributions	14 486	356 803	371 289	404 082
	141 772	1 813 109	1 954 881	1 304 381

23. PENSION PLANS

The employees of Investissement Québec subscribe to the Government and Public Employees Retirement Plan (RREGOP), the Civil Service Superannuation Plan (CSSP) and the Pension Plan for Management (PPM). These are inter-company defined-benefit plans that include retirement and death guarantees. Investissement Québec's obligations toward these government plans are limited to its contributions as an employer. Investissement Québec's contributions charged to the statement of income for the fiscal year amount to $710 thousand ($519 thousand for the fiscal year ended March 31, 2001).

24. SICK LEAVE AND VACATIONS PAYABLE

	2002	2001
Balance at beginning of year	6 747	5 733
Expense for the year	2 072	2 272
Benefits paid during the year	(1 452)	(1 258)
	7 367	6 747

25. CONTINGENCIES

Under decree 1421-98 issued by the Québec government on November 11, 1998, 9071-2076 Québec Inc., a subsidiary of Investissement Québec, acquired a piece of contaminated land in December 1998 for the price of one dollar. Investissement Québec will guarantee the environmental liability of this land until funds become available in the subsidiary to assume such liability. The Corporation estimates that the land decontamination and clean-up cost may reach $2 200 thousand. However, under its incorporating legislation, any losses stemming from this contingent liability will be borne by the Québec government.

Under decree 1393-2001 issued by the Québec government on November 21, 2001, 9109-3294 Québec Inc., a subsidiary of Investissement Québec, acquired a piece of contaminated land in December 2001 for the price of one dollar. Investissement Québec will guarantee, in part, the environmental liability of this land. The Corporation estimates that the land decontamination and clean-up cost, which it must assume, may reach $12 400 thousand. However, under its incorporating legislation, any losses stemming from this contingent liability will be borne by the Québec government.

Various judicial and extrajudicial proceedings instituted by or against the Corporation are currently under way. In the Corporation's opinion, the outcome of these proceedings will not have a significant impact on its financial position or the results of its operations.

26. RELATED PARTY TRANSACTIONS

The Corporation is a related party to all departments and special funds as well as to all agencies and corporations that are controlled directly or indirectly by the Québec government or are subject to either joint control or significant common influence by the Québec government. The Corporation's business transactions with these related parties were carried out during the normal course of its activities and under normal business conditions. All these transactions, accounted for according to their exchange value, are shown separately in the financial statements.

27. COMPARATIVE FIGURES

Certain figures from fiscal 2001 have been reclassified so that their presentation is identical to that of fiscal 2002.

INVESTISSEMENT QUÉBEC

DECLARATION OF RESPONSIBILITY FOR FINANCIAL INFORMATION

The preparation and presentation of the consolidated financial statements of Investissement Québec and other information contained in this annual report are the responsibility of management.

This responsibility includes the choice of appropriate accounting policies (outlined in Note 2 of the financial statements).

The financial information appearing in the annual report is consistent with that contained in the financial statements.

The Corporation's accounting system as well as its internal controls and procedures are designed to ensure the reliability of financial data and to provide reasonable assurance that the Corporation's assets are adequately protected against any loss or unauthorized use.

The Board of Directors, which is responsible for monitoring the manner in which management fulfills its responsibilities regarding financial information, approved the financial statements. The Board is assisted in carrying out its mandate by the Audit Committee. This committee meets with management and the auditor, reviews the financial statements, and recommends their approval to the Board. The Audit Committee also receives advance copies of the audit reports on the optimization of resources and compliance with laws and regulations, particularly the Financial Administration Act.

Maurice Prud'homme
President and Chief Executive Officer

André Côté
Vice-President, Administration

AUDITOR'S REPORT

To the National Assembly

I have audited the consolidated balance sheet of Investissement Québec as at March 31, 2002 and the consolidated statement of income, surplus and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Canada. Those standards require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and its cash flows for the year then ended, in accordance with the accounting policies described in Note 2. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these policies have been applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec City, June 5, 2002

LA FINANCIÈRE AGRICOLE DU QUÉBEC
(R.S.Q., c. L-O1)

CONSOLIDATED REVENUE AND EXPENDITURE AND SURPLUS
for the year ended March 31, 2002
(in thousands of dollars)

	2002
REVENUE	
Gouvernement du Québec contribution	306 783
Special Gouvernement du Québec contribution (Note 4)	10 000
Government of Canada contribution (Note 5)	151 852
Administrative fees	1 041
Interest on loans	1 322
Interest on bank deposits and short-term investments	447
Other revenue	84
	471 529
EXPENDITURE	
Contribution to the:	
Farm Income Stabilization Insurance Fund	281 489
Crop Insurance Fund	23 340
Farm and Forestry Loan Insurance Fund	137
Contribution to interest payments	10 188
Capital grant	7 858
Canadian Farm Income Program allowances	6 697
Contribution to certain programs under an agreement with the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec	23 800
Net-income stabilization account – Government of Canada	6 925
Grant – Centre d'études sur les coûts de production en agriculture	500
Administrative expenses (Note 6)	47 129
Interest on long-term debt	887
Other expenditure	1
	408 951
EXCESS REVENUE OVER EXPENDITURE YEAR-END SUPLUS	62 578
Year-end surplus includes:	
Surplus assigned to General Fund (Note 7)	49 150
Unappropriated surplus	13 428
	62 578

LA FINANCIÈRE AGRICOLE DU QUÉBEC

CONSOLIDATED BALANCE SHEET
as at March 31, 2002
(in thousands of dollars)

	2002	At April 1, 2001
ASSETS		
Short-term		
Cash	27 225	444
Short-term investments (Note 8)	17 486	
Accounts receivable and accrued interest	658	511
Payments receivable on loans (Note 9)	2 317	2 522
Farm Income Stabilization Insurance Fund receivable (Note 10)	86 030	50 000
Gouvernement du Québec receivable	409	14 709
Government of Canada receivable	20 026	
Prepaid expenses	261	46
	154 412	68 232
Gouvernement du Québec receivable (Note 11)	8 345	12 933
Loans (Note 9)	19 957	24 043
Fixed assets (Note 12)	3 876	4 237
	186 590	109 445
LIABILITIES		
Short-term		
Accounts payable and accrued liability (Note 13)	29 322	14 747
Owing to the Gouvernement du Québec	4 961	4 956
Provision for Canadian Farm Income Program allowances	2 613	
Provision for vacation pay	3 453	3 265
	40 349	22 968
Deferred Government assistance	90	109
Gouvernement du Québec advance (Note 14)	12 000	
Deferred special Gouvernement du Québec contribution (Note 4)	40 000	50 000
Provision for sick leave (Note 18)	9 973	9 668
Long-term debt (Note 15)	21 600	26 700
	124 012	109 445
SURPLUS (Note 7)	62 578	
	186 590	109 445

COMMITMENTS (Note 19)
SUBSEQUENT EVENTS (Note 21)

On behalf of the board of directors
André Dicaire, President and CEO
Laurent Pellerin, Chairman of the Board of Directors

LA FINANCIÈRE AGRICOLE DU QUÉBEC

CONSOLIDATED CASH FLOW
for the year ended March 31, 2002
(in thousands of dollars)

	2002
OPERATING ACTIVITIES	
Excess revenue over expenditure	62 578
Cash flow-neutral elements	
Amortization of fixed assets	1 660
Variation in deferred Government assistance	(19)
	64 219
Variation in non-cash elements linked to operations :	
Accounts payable and accrued interest	(147)
Payments receivable on loan	205
Farm Income Stabilization Insurance Fund receivable	(36 030)
Gouvernement du Québec receivable	14 300
Government of Canada receivable	(20 026)
Prepaid expenses	(215)
Accounts payables and accrued liability	14 575
Owing to the Gouvernement du Québec	5
Provision for Canadian Farm Income Program compensation	2 613
Provision for vacation time	172
Deferred special Gouvernement du Québec contribution	(10 000)
Provision for sick leave	282
Encashment of loans	4 086
Payment received from the Gouvernement du Québec for sick leave and vacation time pay	4 627
	(25 553)
Cash flows linked to operating activities	38 666
INVESTMENT ACTIVITIES	
Acquisition of fixed assets	(1 299)
Cash flows linked to investment activities	(1 299)
FINANCING ACTIVITIES	
Reimbursement of long-term debt	(5 100)
Gouvernement du Québec advance	12 000
Cash flows linked to financing activities	6 900
NET VARIATION IN CASH AND CASH EQUIVALENTS	44 267
OPENING CASH AND CASH EQUIVALENTS	444
CLOSING CASH AND CASH EQUIVALENTS	44 711
Closing cash and cash equivalents include:	
Cash	27 225
Short-term investments	17 486
	44 711

LA FINANCIÈRE AGRICOLE DU QUÉBEC

FARM INCOME STABILIZATION INSURANCE FUND

REVENUE AND EXPENDITURE AND DEFICIT
for the year ended March 31, 2002
(in thousands of dollars)

	2002	2001
REVENUE		
Participants' contributions	140 745	171 402
Gouvernement du Québec contribution		342 804
La Financière agricole du Québec contribution	281 489	
Short-term investment income	103	2 342
Other revenue		7
	422 337	516 555
EXPENDITURE		
Interest on borrowings	248	223
Compensation to participants	424 434	406 107
	424 682	406 330
(INSUFFICIENCY) EXCESS REVENUE OVER EXPENDITURE	(2 345)	110 225
OPENING DEFICIT	(29 983)	(140 208)
CLOSING DEFICIT	(32 328)	(29 983)

LA FINANCIÈRE AGRICOLE DU QUÉBEC

FARM INCOME STABILIZATION INSURANCE FUND

BALANCE SHEET
as at March 31, 2002
(in thousands of dollars)

	2002	2001
ASSETS		
Short-term		
Short-term investments (Note 8)	63 874	
Accounts receivable and accrued interest	2 239	3 777
Interfund receivables (Note 16)	2 148	88 216
Advances to participants (Note 17)	205 861	157 622
	274 122	249 615
LIABILITIES		
Short-term		
Bank overdraft	315	
Accounts payable and accrued liability (Note 13)	19 014	38 766
Interfund receivables (Note 16)	40 688	24 827
Owing to La Financière agricole du Québec (Note 10)	86 030	
Owing to the Gouvernement du Québec – interest-free, no terms of repayment		8 159
Unearned contributions	87 235	119 280
Provision for compensation	73 168	88 566
	306 450	279 598
DEFICIT (Note 24)	(32 328)	(29 983)
	274 122	249 615

On behalf of the board of directors
André Dicaire, President and CEO
Laurent Pellerin, Chairman of the Board of Directors

LA FINANCIÈRE AGRICOLE DU QUÉBEC

CROP INSURANCE FUND

REVENUE AND EXPENDITURE AND SURPLUS
for the year ended March 31, 2002
(in thousands of dollars)

	2002	2001
REVENUE		
Participants' contributions	26 139	20 268
Gouvernement du Québec contribution		20 516
La Financière agricole du Québec contribution	23 340	
Other contributions		248
Short-term investment income	1 121	7 657
	50 600	48 689
EXPENDITURE		
Interest on loans	4	
Compensation to participants	32 552	127 437
	32 556	127 437
EXCÉSS (INSUFFICIENCY) REVENUE OVER EXPENDITURE	18 044	(78 748)
OPENING SURPLUS	34 105	112 853
CLOSING SURPLUS	52 149	34 105

LA FINANCIÈRE AGRICOLE DU QUÉBEC

CROP INSURANCE FUND

BALANCE SHEET
as at March 31, 2002
(in thousands of dollars)

	2002	2001
ASSETS		
Short-term		
Cash	251	
Short-term investments (Note 8)	22 111	25 910
Accounts receivable and accrued interest	403	273
Interfund receivables (Note 16)	32 400	24 827
Government of Canada contribution receivable	13	13
Gouvernement du Québec contribution receivable		205
La Financière agricole du Québec contribution receivable	511	
	55 689	51 228
LIABILITIES		
Short-term		
Bank overdraft		3 599
Accounts payable and accrued liability	437	1 656
Unearned contributions	263	624
Provision for compensation	2 840	11 244
	3 540	17 123
SURPLUS (Note 25)	52 149	34 105
	55 689	51 228

On behalf of the board of directors
André Dicaire, President and CEO
Laurent Pellerin, Chairman of the Board of Directors

LA FINANCIÈRE AGRICOLE DU QUÉBEC

TRIPARTITE GROSS CROP INCOME INSURANCE PLAN FUND

REVENUE AND EXPENDITURE AND SURPLUS
for the year ended March 31, 2002
(in thousands of dollars)

	2002	2001
REVENUE		
Interest on short-term investments	535	1 138
EXPENDITURE		
EXCESS REVENUE OVER EXPENDITURE	535	1 138
OPENING SURPLUS	13 555	20 527
	14 090	21 665
Capital and interest distributed (Note 2)	(345)	(8 110)
CLOSING SURPLUS	13 745	13 555

BALANCE SHEET
as at March 31, 2002
(in thousands of dollars)

	2002	2001
ASSETS		
Cash	24	94
Short-term investments (Note 8)	5 494	21 349
Accrued interest	8	222
Interfund receivables (Note 16)	8 288	
	13 814	21 665
LIABILITIES		
Owing to the Fédération des producteurs de cultures commerciales du Québec	69	474
Owing to grain, grain-corn and soybean producers		7 636
	69	8 110
SURPLUS (Note 2)	13 745	13 555
	13 814	21 665

On behalf of the board of directors
André Dicaire, President and CEO
Laurent Pellerin, Chairman of the Board of Directors

LA FINANCIÈRE AGRICOLE DU QUÉBEC

FARM INCOME DISASTER ASSISTANCE PROGRAM (Note 2)

REVENUE AND EXPENDITURES
for the year ended March 31, 2002
(in thousands of dollars)

	2002	2001
REVENUE		
Government of Canada contribution	(83)	3 528
Gouvernement du Québec contribution	(108)	2 126
	(191)	5 654
EXPENDITURES		
Compensation	(191)	5 654

BALANCE SHEET
as at March 31, 2002
(in thousands of dollars)

	2002	2001
ASSETS		
Cash	56	61
Short-term investments (Note 8)	2 196	95 000
Accrued interest	5	
La Financière agricole du Québec receivable	3	
Government of Canada contribution receivable	1 425	1 503
	3 685	96 564
LIABILITIES		
Accounts payable and accrued liability	66	
Interfund receivables (Note 16)	2 148	88 216
Owing to the Gouvernement du Québec	1 471	4 271
Provision for compensation		4 077
	3 685	96 564

On behalf of the board of directors
André Dicaire, President and CEO
Laurent Pellerin, Chairman of the Board of Directors

LA FINANCIÈRE AGRICOLE DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS
March 31, 2002
(in thousands of dollars)

1. CONSTITUTION AND PURPOSE

La Financière agricole du Québec is a legal entity, an agent of the State, incorporated on April 17, 2001 under the Act respecting La Financière agricole du Québec, (R.S.Q., c. L-0.1). It results from an amalgamation of the Régie des assurances agricoles du Québec and the Société de financement agricole. La Financière agricole du Québec, managed in partnership with the agricultural sector, assumes, among others, the continuity of Régie des assurances agricoles du Québec and Société de financement agricole programs and services. The main mission of this new corporation is to support and promote, from a sustainable development viewpoint, agricultural and agrifood sector development. It makes products and services related to income protection, insurance and farm and forestry financing adapted to managing the risks inherent in this sector of activity available to operations.

Régie des assurances agricoles du Québec and Société de financement agricole operations between April 1 and April 17, 2001 are presented in these financial statements.

2. DESCRIPTION OF PROGRAMS

I) Farm income stabilization insurance

The Farm income stabilization insurance program offers agricultural producers protection against fluctuating market prices. Its goal is to guarantee them a positive net annual income. For this purpose, compensation is paid to the participant when the net annual income falls short of the net annual stabilised income.

II) Crop insurance

The Crop insurance program was set up to enable producers to insure themselves against the loss of crop yields due to uncontrollable risks not caused by human intervention.

III) Farm and forestry loan insurance

La Financière agricole administers the Farm and Forestry Loan Insurance Fund and pays the insurance premiums for the Fund.

IV) Contribution to interest payments

The interest-rate increase protection program minimizes the impact of an interest rate increase on farm and forestry operations, by contributing to interest payments.

V) Capital grant

The start-up, development and training assistance program aims to facilitate things for young farmers, to encourage them to get appropriate training and to promote the development of agricultural operations.

VI) Canadian Farm Income Program (CFIP) and Farm Income Disaster Assistance Program (FIDAP)

The Canadian Farm Income Program was implemented to cover fiscal 2000, 2001 and 2002. It falls under the Canada-Québec Framework Agreement on Agricultural Safety Nets, which covered 1998 and 1999. Like the FIDAP, the CFIP supports agricultural operations having suffered significant income losses. The Government of Canada and the Gouvernement du Québec assume 60% and 40% respectively of total program costs, taking into account the allowances and compensation paid to producers under other provincial insurance programs.

The operations of the Farm Income Disaster Assistance Program end with this fiscal year since they cover only allowances claimed for 1998 and 1999. The balance of the producers' portion will eventually be transferred to the Farm Income Stabilization Insurance Fund as contribution credits.

2. DESCRIPTION OF PROGRAMS (cont'd)

VII) Farm Income Stabilization Account

Although the Farm Income Stabilization Account program came into effect on November 1, 2001, the first transactions occurred in April 2002. The program is designed to offer Québec agricultural operations a risk management tool based on overall income earned from their operation. The program allows for the establishment of individuals funds into which participants and La Financière agricole du Québec pay contributions, and makes provision for withdrawing cash to offset farm income losses.

VIII) Tripartite Gross Crop Income Insurance Plan

The Plan stopped being implemented as of the 1995 crop year. An agreement between the Government of Canada and the Gouvernement du Québec makes provision for dividing up the interest generated by the Fund's management and for sharing its surplus. At March 31, 2002, only the federal and Québec portions remained in the Fund. When La Financière agricole was established, the Gouvernement du Québec agreed to transfer its portion, estimated at $5.9 million, to it.

3. ACCOUNTING POLICIES

The consolidated financial statements of La Financière agricole and the funds it administers were prepared by management in keeping with the accounting principles that are generally recognized in Canada. These statements include amounts based on best estimates and judgements. The cash flow statements of the funds administered by La Financière agricole are not presented since they contain no additional information that would be useful for understanding their cash flows during the fiscal year.

Short-term investments

Short-term investments are recorded at cost or market value, whichever is less.

La Financière agricole du Québec

Consolidation perimeter

The consolidated financial statements reflect the accounts of La Financière agricole and its subsidiary, Capital Financière agricole inc. The latter is a company incorporated on January 15, 2002 under Part 1A of the Companies Act (R.S.Q., c. C-38). The Crop Insurance Fund and Farm Income Stabilization Fund are not consolidated since they are separate trust funds under section 70 of the Act respecting La Financière agricole du Québec.

Fixed assets

Fixed assets are recorded at cost and amortized over their service life using the straight-line method at the following rates:

Equipment	20% to 100%
Computer development	20% to 100%

Deferred Government assistance

The credits used to acquire forest-sector fixed assets are posted to deferred Government assistance and transferred to results using the same method and amortization rates as the fixed assets acquired.

NOTES TO FINANCIAL STATEMENTS
March 31, 2002
(in thousands of dollars)

3. ACCOUNTING POLICIES (cont'd)

Contributions, allowances and transfer payments

Contributions, allowances and transfer payments are posted to expenditures for the fiscal year when authorized and when the beneficiary has met the eligibility criteria.

Pension plans

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that La Financière agricole lacks sufficient information to apply the accounting procedure for defined-benefit plans.

Cash and cash equivalents

La Financière agricole's policy consists of presenting, as cash and cash equivalents, bank balances and short-term investments maturing within three months of the acquisition date.

Farm Income Stabilization Insurance Fund and Crop Insurance Fund

Contributions, compensation and transfer payments

Contributions, compensation from the Farm Income Stabilization Insurance Program and allowances under the Crop Insurance Program are posted to revenues or expenditures for the fiscal year in which the insurance year ends.

The year 2001 was used for the Crop Insurance Program. For the different productions covered by the Farm Income Stabilization Insurance Program, the insurance years used are presented in Note 24.

4. SPECIAL GOUVERNEMENT DU QUÉBEC CONTRIBUTION

On April 9, 2001, the Gouvernement du Québec paid a special contribution of $50 million to set up a reserve to reduce future La Financière agricole contributions to the Farm Income Stabilization Insurance Fund. This amount is amortized using the straight-line method over 5 years.

5. GOVERNMENT OF CANADA CONTRIBUTION

The Gouvernement du Canada contribution to the farm programs administered by La Financière agricole du Québec for the different components of the Framework Agreement are as follows:

	2002
1) General agricultural safety nets programs	69 796
2) Farm income disaster assistance	25 956
3) Additional assistance for general agricultural safety net programs	56 100
	151 852

The federal contribution was allocated to the following programs for the current fiscal year:

	2002
Farm income stabilization insurance	128 686
Crop insurance	18 593
Canadian farm income program	4 573
	151 852

6. ADMINISTRATIVE EXPENSES

	2002
Salaries and fringe benefits	36 731
Transport and communication	2 972
Rent	3 079
Professional administrative and other services	1 578
Materials and supplies	766
Depreciation of fixed assets	1 660
Maintenance and repairs	216
New layout expenses	127
	47 129

The Government of Canada reimburses 50% of the administrative costs for the Crop Insurance Program and 60% of the administrative costs of the Canadian Farm Income Program. These amounts are recorded as Government of Canada contributions. Administrative expenses were allocated to the following programs for this fiscal year:

	2002
Farm Income Stabilization Insurance	8 015
Crop Insurance	14 732
Farm Financing	18 794
Forestry Financing	1 191
Canadian Farm Income Program	925
Farm Income Stabilization Account	3 472
	47 129

7. SURPLUS APPROPRIATED TO THE GENERAL FUND

La Financière agricole du Québec set up a General Fund to cover the components linked to insurance, income protection and financing programs. As at March 31, 2002, $49 150 thousand was slated for this General Fund.

8. SHORT-TERM INVESTMENTS

La Financière agricole du Québec

	2002	At April 1, 2001
Commercial papers and bankers acceptances, 2.05% to 2.12%, maturing up to April 11, 2002 (market value at March 31, 2002 = cost)	17 486	

Farm Income Stabilization Insurance

	2002	2001
Caisse de dépôt et placement du Québec:		
Participation deposits	63 697	
Demand deposits, 2.02%	177	
	63 874	

8. SHORT-TERM INVESTMENTS (cont'd)

Farm Income Stabilization Insurance Fund (cont'd)

At March 31, 2002, the market value of participation deposits and demand deposits was equal to their cost.

Crop Insurance Fund

	2002	2001
Caisse de dépôt et placement du Québec:		
Participation deposits	21 557	
Demand deposits, 2.02%	554	25 910
	22 111	25 910

At March 31, 2002, the market value of participation deposits and demand deposits was equal to their cost.

Tripartite Gross Crop Income Insurance Plan

	2002	2001
Bankers acceptances		
2.08%, maturing April 2, 2002		
(market value in 2002: $5 498 thousand; 2001: $21 579 thousand)	5 494	21 349

Farm Income Disaster Assistance Fund

	2002	2001
Bankers acceptances		
2.05%, maturing April 4, 2002		
(market value in 2002: $2 199 thousand; 2001: $95 000 thousand)	2 196	95 000

9. LOANS

Loans bear interest at rates varying between 2.5% and 8%.

10. GOUVERNEMENT DU QUÉBEC RECEIVABLE

	2002	At April 1, 2001
Interest-free, no repayment terms	44	
Bearing interest at rates varying between 2.05% and 2.14% for the current fiscal year, no repayment terms	85 986	50 000
	86 030	50 000

11. GOUVERNEMENT DU QUÉBEC RECEIVABLE

Sick leave that had accumulated for the farm sector when the company was established will be reimbursed by Gouvernement du Québec. Sick leave and vacation time that had accumulated for the forestry sector will be assumed by the latter.

12. FIXED ASSETS

	2002			At April 1, 2001
	Cost	Accumulated depreciation	Net	Net
Equipment	2 195	788	1 407	1 532
Computer development	3 466	997	2 469	2 705
	5 661	1 785	3 876	4 237

13. ACCOUNTS PAYABLE FOR ACCRUED LIABILITY

La Financière agricole du Québec

	2002	At April 1, 2001
Remuneration	1 266	661
Operations	1 610	1 079
Contribution to the Crop Insurance Fund	511	
Contribution to certain programs under an agreement with the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec	10 042	
Federal contribution repayable	5 425	
Contribution to payment of accrued interest and interest due	1 662	5 823
Grant – Centre d'études sur les coûts de production en agriculture	500	
Capital grant	8 293	7 146
Owing to the Farm Income Disaster Assistance Fund	3	
Other	10	38
	29 322	14 747

Farm Income Stabilization Insurance Fund

Of the amount recorded at March 31, 2002, $18 388 thousand (2001: $38 216 thousand) represents the portion not reimbursed to producers as contribution credits related to amounts received under the Canada-Québec Agreement on the Additional Federal Contribution to the Farm Income Stabilization Insurance Program for 1998, 1999 and 2000. One-third of the contribution received is returned to producers participating in farm income stabilization insurance.

14. GOUVERNEMENT DU QUÉBEC ADVANCE

This advance made on March 20, 2002 for the establishment of the subsidiary, Capital Financière agricole inc., bears interest at the lesser of 50% of the net annual profit made by the subsidiary or the proportion of the net annual profit made by the subsidiary equalling the ratio of the advance over the subsidiary's total equity. Interest is payable as of the year the subsidiary begins making profits and then every March 31 thereafter. The advance will terminate the date the subsidiary is dissolved and no later than March 31, 2008.

15. LONG-TERM DEBT

	2002	At April 1, 2001
Private institutions	15 600	18 600
Financing Fund of the Ministère des Finances	6 000	8 100
	21 600	26 700

These borrowings are renewable annually at the market rate and come due on different dates until March 31, 2003. No capital payments are required over the coming fiscal years.

16. INTERFUND RECEIVABLES

Interfund receivables, bearing interest at rates varying between 2.05% and 2.14% for the fiscal year ended March 31, 2002, have no predetermined repayment or encashment method.

Owed by the Farm Income Stabilization Insurance Fund:

	2002	2001
To the Crop Insurance Fund	32 400	24 827
To the Tripartite Gross Crop Income Insurance Plan Fund	8 288	
	40 688	24 827

Owed by the Farm Income Disaster Assistance Fund:

	2002	2001
To the Farm Income Stabilization Insurance Fund	2 148	88 216

17. ADVANCES TO PARTICIPANTS

Advances to participants represent a portion of the compensation paid to producers as a down payment for those productions whose insurance year ends in a subsequent fiscal year.

	2002	2001
Grain, grain-corn and soybean producers	202 945	155 554
Apple producers	2 916	2 068
	205 861	157 622

18. FUTURE FRINGE BENEFITS

Pension plans

The staff members of La Financière agricole participate in the Government and Public Employees Retirement Plan (RREGOP), the Civil Service Superannuation Plan (CSSP) or the Pension Plan of Management Personnel (PPMP). These are interenterprise defined-benefit plans and include guaranteed payments upon retirement and death.

18. FUTURE FRINGE BENEFITS (cont'd)

Pension plans (cont'd)

La Financière agricole contributions charged to the year-end statement amount to $1 143 thousand. The liability of La Financière agricole towards these Government plans is restricted to its contributions as an employer.

Provision for sick leave

	2002
Opening balance	9 668
Charge for the year	851
Benefits paid during the year	(546)
Closing balance	9 973

19. COMMITMENTS

La Financière agricole's commitments under the start-up, development and training assistance program as capital grants for the fiscal years ending March 31, 2003, 2004 and 2005 totalled $4 552 thousand (April 1, 2001: $5 356 thousand).

Commitments related to the Centre d'études sur les coûts de production en agriculture for fiscal 2002-2003 total $500 000. Additional commitments as yet to be determined are also envisaged for the next five fiscal years.

La Financière agricole du Québec commits to paying $56.1 million to the federal government over the next two fiscal years into the Farm Income Stabilization Account.

20. RELATED PARTY TRANSACTIONS

The main related party transactions are as follows:

Rent – Société immobilière du Québec	2 860
Supplies – Government Services Fund	1 164
Grant – Centre d'études sur les coûts de production en agriculture	500
Safety – Commission de la santé et de la sécurité du travail	169
Measurement – Geographic and Property Information Fund	46

In addition to the related party transactions disclosed in its statements and measured at exchange value, La Financière agricole is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. La Financière agricole did not conclude any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

NOTES TO FINANCIAL STATEMENTS
March 31, 2002
(in thousands of dollars)

21. SUBSEQUENT EVENTS

On April 23, 2002, Capital Financière agricole inc. issued 23 999 category A shares actions to La Financière agricole, thereby bringing the total capital stock to $24 million. La Financière agricole du Québec holds 100% of these shares.

On March 28, 2002, La Financière agricole and the Fédération des producteurs acéricoles du Québec signed a credit line agreement for a maximum of $100 million. The objective of this special funding measure is to implement and operate a selling agency for the maple products sector, whose activities fall under the Fédération des producteurs acéricoles du Québec. At June 30, 2002, the credit line balance was $36 million.

22. COMPARATIVE FIGURES

Certain 2001 figures were reclassified for consistency with the presentation adopted in 2002.

23. INFORMATION BY SECTOR

	2002		
	Forestry	Farm	Total
Revenue			
Gouvernement du Québec contribution	1 783	305 000	306 783
Special Gouvernement du Québec contribution		10 000	10 000
Government of Canada contribution		151 852	151 852
Administrative fees	47	994	1 041
Interest on loans	167	1 155	1 322
Interest on bank deposits and short-term investments	2	445	447
Other revenue		84	84
	1 999	469 530	471 529
Expenditure			
Contribution to the:			
Farm Income Stabilization Insurance Fund		281 489	281 489
Crop Insurance Fund		23 340	23 340
Farm and Forestry Loan Insurance Fund	137		137
Contribution to interest payments	558	9 630	10 188
Capital grant		7 858	7 858
Canadian Farm Income Program allowances		6 697	6 697
Contribution to certain programs under an agreement with the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec		23 800	23 800
Net-income stabilization account – Government of Canada		6 925	6 925
Grant – Centre d'études sur les coûts de production en agriculture		500	500
Administrative expenses	1 191	45 938	47 129
Interest on long-tem debt	113	774	887
Other expenditure		1	1
	1 999	406 952	408 951
Excess revenue over expenditure and year-end surplus		62 578	62 578

NOTES TO FINANCIAL STATEMENTS
March 31, 2002
(in thousands of dollars)

23. SECTOR-BASED DATA (cont'd)

	2002			At April 1, 2001		
	Forestry	Farm	Total	Forestry	Farm	Total
Assets						
Short-term						
Cash	166	27 059	27 225	96	348	444
Short-term investments		17 486	17 486			
Accounts receivable and accrued interest	42	616	658	59	452	511
Payments receivable on loans	353	1 964	2 317	435	2 087	2 522
Farm Income Stabilization Insurance Fund receivable		86 030	86 030		50 000	50 000
Gouvernement du Québec receivable	317	92	409	248	14 461	14 709
Government of Canada receivable		20 026	20 026			
Prepaid expenses	1	260	261	6	40	46
	879	153 533	154 412	844	67 388	68 232
Gouvernement du Québec receivable	288	8 057	8 345	249	12 684	12 933
Loans	2 436	17 521	19 957	2 936	21 107	24 043
Fixed assets	90	3 786	3 876	109	4 128	4 237
	3 693	182 897	186 590	4 138	105 307	109 445
Liability						
Short-term						
Accounts payable and accrued liability	318	29 004	29 322	253	14 494	14 747
Owing to the Gouvernement du Québec	193	4 768	4 961	136	4 820	4 956
Provision for Canadian Farm Income Program allowances		2 613	2 613			
Provision for vacation pay	60	3 393	3 453	44	3 221	3 265
	571	39 778	40 349	433	22 535	22 968
Deferred Government assistance	90		90	109		109
Gouvernement du Québec advance		12 000	12 000			
Deferred special Gouvernement du Québec contribution		40 000	40 000		50 000	50 000
Provision for sick leave	229	9 744	9 973	205	9 463	9 668
Long-term debt	2 803	18 797	21 600	3 391	23 309	26 700
	3 693	120 319	124 012	4 138	105 307	109 445
Surplus		62 578	62 578			
	3 693	182 897	186 590	4 138	105 307	109 445

24. CONTINUITY BY FARM INCOME STABILIZATION INSURANCE FUND INSURABLE PRODUCT

Insurable product	Balance (deficit) as at March 31, 2001	Contributions and other revenue	Allowances	Income from short-term investment and interest on loans	Balance (deficit) as at March 31, 2001
Feeder calves	36 709	51 037	54 186	3 070	36 630
Slaughter cattle and steers	19 134	12 759	20 342	1 172	12 723
Veal calves	(2 420)	21 997	22 083	480	(2 026)
Grain-fed calves	2 508	10 143	14 508	282	(1 575)
Piglets	(37 276)	67 043	8 048	2 173	23 892
Hogs	72 884	23 069	83	2 552	98 422
Lambs	3 107	14 708	15 547	498	2 766
Potatoes	3 278	5 892	1 492	312	7 990
Grain, grain-corn and soybeans	(126 548)	212 787	282 488	(10 520)	(206 769)
Apples	(1 359)	2 799	5 657	(164)	(4 381)
	(29 983)	422 234	424 434	(145)	(32 328)

Insurable product	Current insurance year	Period covered by insurance year
Feeder calves	2001	January 1, 2001 to December 31, 2001
Slaughter cattle and steers	2001	January 1, 2001 to December 31, 2001
Veal calves	2001	January 1, 2001 to December 31, 2001
Grain-fed calves	2001	January 1, 2001 to December 31, 2001
Piglets	2001	April 1, 2001 to March 31, 2002
Hogs	2001	April 1, 2001 to March 31, 2002
Lambs	2001	January 1, 2001 to December 31, 2001
Potatoes	2000	August 15, 2000 to July 31, 2001
Grain	2000	August 1, 2000 to July 31, 2001
Grain-corn	2000	October 1, 2000 to September 30, 2001
Soybeans	2000	September 1, 2000 to August 31, 2001
Apples	2000	August 15, 2000 to August 14, 2001

25. CONTINUITY BY CROP INSURANCE FUND SYSTEM

		Insurance year 2001			
	Balance as at March 31, 2001	Contributions	Allowances	Income from short-term investment and interest on loans	Balance as at March 31, 2002
Group system	21 651	21 563	7 829	933	36 318
Individual system	12 454	27 916	24 723	184	15 831
	34 105	49 479	32 552	1 117	52 149

LA FINANCIÈRE AGRICOLE DU QUÉBEC

MANAGEMENT'S REPORT

The financial statements of La Financière agricole du Québec and the funds it administers were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. The financial information contained in the rest of the annual report concurs with that shown in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

La Financière agricole du Québec recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it. At least every five years, it must carry out an actuarial analysis of its operations and collate any information useful for setting contribution rates for the insurance or farm income protection program.

The board of directors oversees the manner in which management performs its financial reporting duties, and has approved the financial statements. It is assisted by the audit committee, whose members are not management. The audit committee meets with management and the auditor, reviews the financial statements and recommends their approval to the board of directors.

The Auditor General of Québec has audited the financial statements of La Financière agricole du Québec and the funds it administers in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the finance committee to discuss any matter related to the audit.

On behalf of La Financière agricole du Québec and the funds it administers,
André Dicaire, President and CEO
Sylvie Grondin, CGA, Vice-President, Corporate Affairs

Québec, August 5, 2002

LA FINANCIÈRE AGRICOLE DU QUÉBEC

AUDITOR'S REPORT

To the National Assembly

I have audited the consolidated balance sheet of La Financière agricole du Québec, the Farm Income Stabilization Insurance Fund, the Crop Insurance Fund, the Tripartite Gross Crop Income Insurance Fund and the Farm Income Disaster Assistance Fund as at March 31, 2002 and the consolidated statements of revenue and expenditure and surplus and cash flows of La Financière agricole du Québec, the statement of revenue and expenditure and surplus of the Farm Income Stabilization Insurance Fund, the Crop Insurance Fund, the Tripartite Gross Crop Income Insurance Fund and the Farm Income Disaster Assistance Fund for the year then ended. These financial statements are the responsibility of management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of La Financière agricole du Québec and the funds it administers as at March 31, 2002 and the results of their operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, August 5, 2002

LOTO-QUÉBEC
(R.S.Q., c. S-13.1)

CONSOLIDATED STATEMENT OF INCOME
for the year ended March 31, 2002
(in thousands of dollars)

	2002	2001
REVENUE	3 661 786	3 643 212
COST OF SALES (Note 3)	1 422 639	1 483 178
GROSS PROFIT	2 239 147	2 160 034
OPERATING EXPENSES		
Operating expenditures	570 194	527 742
Depreciation of fixed assets	76 045	77 721
Amortization of patents	308	309
Amortization of deferred charges	1 333	308
Interest – net (Note 4)	7 024	7 149
	654 904	613 229
INCOME BEFORE THE FOLLOWING ITEMS	1 584 243	1 546 805
Special payments (Note 5)	26 321	28 871
Goods and Services Tax	50 916	53 136
Québec Sales Tax	58 527	61 040
	135 764	143 047
NET INCOME	1 448 479	1 403 758

SEGMENTED INFORMATION (Note 20)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
for the year ended March 31, 2002
(in thousands of dollars)

	2002	2001
BALANCE AT BEGINNING OF YEAR	159 845	132 428
Net income	1 448 479	1 403 758
	1 608 324	1 536 186
Dividends	(1 319 000)	(1 330 500)
Fonds d'aide à l'action communautaire autonome (Note 6)	(14 531)	(14 643)
Fonds d'aide à l'action humanitaire internationale (Note 6)	(2 906)	(2 929)
Contributions to the Québec Government (Note 7)	(79 091)	(28 269)
	(1 415 528)	(1 376 341)
BALANCE AT END OF YEAR	192 796	159 845

LOTO-QUÉBEC

CONSOLIDATED BALANCE SHEET
as at March 31, 2002
(in thousands of dollars)

	2002	2001
ASSETS		
Current		
Cash on hand – Casinos	42 328	33 247
Cash on hand	37 485	27 867
Accounts receivable (Note 8)	67 667	67 402
Inventory (Note 9)	8 774	8 946
Prepaid expenses	44 462	16 158
	200 716	153 620
Investments	40 204	34 131
Fixed assets (Note 10)	622 395	539 482
Patents, amortized	309	617
Deferred charges, amortized (Note 11)	5 434	1 651
	869 058	729 501
LIABILITIES		
Current		
Bank loans (Note 12)	386 563	232 025
Prizes payable	51 018	48 225
Accounts payable and accrued liabilities (Note 13)	185 794	240 911
Provisions related to prizes (Note 14)	37 561	33 757
Deferred income	15 156	14 568
	676 092	569 486
SHAREHOLDER'S EQUITY		
Capital-stock authorized, issued and fully paid: 1 700 shares with a par value of $100 each	170	170
Retained earnings	192 796	159 845
	192 966	160 015
	869 058	729 501

COMMITMENTS (Note 15)

On behalf of the Board of Directors,
Gaétan Frigon, Chairman of the Board
Robert Crevier, CA, Chairman of the Audit Committee

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended March 31, 2002
(in thousands of dollars)

	2002	2001
OPERATING ACTIVITIES		
Net income	1 448 479	1 403 758
Items not affecting cash flows		
Depreciation of fixed assets	76 045	77 721
Amortization of patents	308	309
Amortization of deferred charges	1 333	308
Net contribution to the Manoir Richelieu LP	4 740	5 762
Share of the earnings of Nter Technologies LP	(1 610)	(116)
Changes in assets and liabilities related to operations (Note 16)	5 567	(12 889)
Operating activity cash flows	1 534 862	1 474 853
FINANCING ACTIVITIES		
Dividends paid	(1 374 500)	(1 265 000)
Bank loans	154 538	(15 898)
Contributions to the Québec Government	(79 416)	(28 105)
Fonds d'aide à l'action communautaire autonome	(14 531)	(14 643)
Fonds d'aide à l'action humanitaire internationale	(2 906)	(2 929)
Financing activity cash flows	(1 316 815)	(1 326 575)
INVESTMENT ACTIVITIES		
Acquisition of fixed assets	(159 474)	(137 012)
Deposits for the acquisition of fixed assets	(24 963)	(96)
Acquisition of investments	(4 933)	(62)
Distribution to the Manoir Richelieu LP	(4 897)	(5 196)
Distribution of the Manoir Richelieu LP	35	573
Acquisition of deferred charges	(5 116)	(1 036)
Investment activity cash flows	(199 348)	(142 829)
NET INCREASE IN CASH AND CASH EQUIVALENTS	18 699	5 449
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	61 114	55 665
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 16)	79 813	61 114

NOTES TO FINANCIAL STATEMENTS
March 31, 2002
(in thousands of dollars)

1. AUTHORITY AND OBJECTIVES

The Société des loteries du Québec (the Corporation), also designated as Loto-Québec, is a joint-stock corporation whose shares form part of the public domain and are allotted to the Minister of Finance. Under its act of incorporation (R.S.Q., c. S-13.1), its functions are to conduct and administer lottery schemes and to operate businesses which are incidental to the operation of a State casino. It may also offer, for consideration, consulting and implementation services in matters within its competence. By virtue of provincial and federal income tax laws, the Corporation is exempt from paying income tax.

2. ACCOUNTING POLICIES

The consolidated financial statements of Loto-Québec have been prepared by management in accordance with Canadian generally accepted accounting practices. These statements comprise amounts based on best judgement and estimates.

Consolidation

The consolidated financial statements include the accounts of Loto-Québec and its wholly-owned subsidiaries:

- Lotim inc.
- La Société des casinos du Québec inc.
- Casiloc inc.
- La Société des loteries vidéo du Québec inc.
- Resto-Casino inc.
- Ingenio, filiale de Loto-Québec inc.
- La Société des bingos du Québec inc.
- World Gaming Consultants, inc.
- 9059-3849 Québec inc.

The investments in the Manoir Richelieu Limited Partnership and Nter Technologies Limited Partnership are entered at their consolidated value.

Revenue

Lotteries

Gross revenue from the sale of lottery tickets and bingo cards is recorded on the date of the draw, with the exception of revenue from instant lottery ticket sales, which is entered at the time of sale.

With the exception of instant lotteries, lottery tickets sold as at March 31 for draws subsequent to that date are treated as deferred income. Discounts to retailers on these sales are carried as prepaid expenses.

Casinos and Video Lotteries

Revenue from the operation of these activity sectors corresponds to the difference between wagers and prizes awarded.

Multimedia

Revenues represent royalties based on a certain percentage of the total of the CD-ROM/lottery ticket retail price. These revenues are recorded when the printer delivers the CD-ROM/lottery tickets to the lottery corporations.

Prizes Awarded

Prizes awarded from ticket sales for bingo and certain lottery products are based on a theoretical sales rate.

In addition to lottery prizes in cash or merchandise, Loto-Québec also awards free tickets. The value ascribed to these prizes is equal to the selling price and is included with sales as revenue and with prizes as expenditure.

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002
(in thousands of dollars)

2. ACCOUNTING POLICIES (cont'd)

Revenue (cont'd)

Promotional Allowances

These amounts represent the promotional cash rebates issued to casino customers.

Pension Plans

Defined contribution plan accounting is applied to inter-company governmental defined benefit plans, given that Loto-Québec do not have adequate information to apply defined benefit plan accounting practices.

Inventory

Video Lotteries

Inventories are valued at the lower of average cost and replacement value.

Restaurants

Inventories are valued at the lower of cost and net realizable value. Cost is estimated as follows:

Food and beverages	average cost
Hotel kitchen equipment	base stock

Fixed Assets

Fixed assets are presented at acquisition cost and, with the exception for works of art, are depreciated according to their estimated useful life using the straight-line method based on the following annual rates:

	Method	Duration
Buildings	Straight-line	2% to 6 2/3%
	compound interest at 5%	40 years
Parking lot landscaping	Straight-line	6 2/3%
	compound interest at 5%	40 years
Rented parking lot landscaping	Straight-line	2.86% and 6 2/3%
Interior design	Straight-line	10% and 14.29%
	compound interest at 5%	40 years
Exterior landscaping	Straight-line	10% and 14.29%
	compound interest at 5%	40 years
Leasehold improvements	Straight-line	10% to 20%
Office furniture	Straight-line	10% and 20%
Rolling stock	Straight-line	2.5% to 30%
Equipment	Straight-line	10% to 33 1/3%

Patents

Patents are presented at cost and are amortized using the straight-line method over a three-year period.

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002
(in thousands of dollars)

2. ACCOUNTING POLICIES (cont'd)

Deferred charges

Deferred charges correspond to the cost of the Pont des Îles, a property of the City of Montréal but paid by a subsidiary of Loto-Québec. These charges are depreciated using the straight-line method at an annual rate of 10%.

The start-up costs related to the expansion of the Casino du Lac-Leamy and Resort Complex are amortized using the straight-line method over a period of three years.

3. COST OF SALES

	2002	2001
Lotteries		
Prized awarded	926 308	952 674
Commissions to retailers	123 205	124 705
Printing of tickets	35 031	35 048
	1 084 544	1 112 427
Casinos		
Promotional allowances	13 721	12 720
Video Lotteries		
Commissions to retailers	281 136	315 915
Printings	770	757
	281 906	316 672
Bingo		
Prizes awarded	17 962	18 600
Commissions to operators	2 208	2 272
Printing of cards	439	310
	20 609	21 182
Restaurants	21 859	20 177
	1 422 639	1 483 178

4. INTEREST - NET

	2002	2001
Interest on bank loans	8 313	8 567
Interest on term deposits	(1 289)	(1 418)
	7 024	7 149

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002
(in thousands of dollars)

5. SPECIAL PAYMENTS

	2002	2001
Compensation to the Government of Canada	13 690	13 484
Net contribution to the Manoir Richelieu LP	4 740	5 762
Share of the results of Nter Technologies LP	(1 610)	(116)
Special commissions to non-profit organizations (NPOs)	718	637
Compensation to participating NPOs	7 895	8 173
Compensation to non-participating NPOs	888	931
	26 321	28 871

Compensation to the Government of Canada

Under an agreement reached between the provincial governments and the Government of Canada concerning its withdrawal from the administration of lotteries, the provinces pay the federal government the equivalent of $24 million (in 1979 dollars) every year. For the year ended March 31, 2002, this amount equalled $56.6 million (2001: $55.2 million).

The Québec Government's share is payable by the Corporation in accordance with an agreement between the provinces and regional lottery corporations.

Net Contribution to the Manoir Richelieu Limited Partnership

Under the terms of the guarantee agreement and in accordance with the distribution methods specified in the partnership agreement, the net contribution represents the minimum share of liquidities generated by the operations of the Casino de Charlevoix that is to be paid to the partners, taking into account Loto-Québec's share in the results generated by the Manoir Richelieu.

Special Commissions to Non-Profit Organizations (NPOs)

Further to a decision by the shareholder, a commission equal to the discount allotted to retailers is paid to non-profit organizations selling lottery tickets through the LOTOMATIQUE subscription system.

Compensation to Non-Profit Organization (NPOs)

Participating NPOs

La Société des bingos du Québec inc. allots charitable or religious organizations that hold a bingo licence an amount equal to the higher of 36.4% of bingo ticket sales less the value of prizes paid to game winners, or 50% of net income generated by bingo games, not counting compensation to non-participating NPOs.

Non-Participating NPOs

La Société des bingos du Québec inc. allots an amount equal to 5.45% of total ticket sales of the LE GRAND TOUR game (less the value of prizes awarded to winners of this game) to charitable or religious organizations that hold a bingo licence but do not participate in the Corporation's bingo games.

6. FONDS D'AIDE À L'ACTION COMMUNAUTAIRE AUTONOME ET À L'ACTION HUMANITAIRE INTERNATIONALE

Under its act of incorporation, each year the Corporation pays into the Fonds d'aide à l'action communautaire autonome (dedicated to supporting independent community and international humanitarian action) sums equivalent to 5% and 1% respectively of net income earned during the previous fiscal year through the operation of the State-run casinos and the businesses which are incidental to them.

7. CONTRIBUTIONS TO THE QUÉBEC GOVERNMENT

	2002	2001
Ministère des Finances[1]	23 691	19 769
Ministère de l'Agriculture, des Pêcheries et de l'Alimentation (MAPAQ)	5 000	5 000
Ministère de la Santé et des Services sociaux	48 000	3 000
Ministère de la Sécurité publique	2 000	
Ministère des Affaires municipales	400	500
	79 091	28 269

[1] Of this amount, with the authorization of the Government, the Corporation contributed a total of $12.4 million (2001: $7.2 million) to the Société nationale du cheval de course (SONACC) to enable the organization to increase the funds for its regular racing programs and special events during fiscal 2001-2002.

8. ACCOUNTS RECEIVABLE

	2002	2001
Wholesalers	32 119	33 209
Retailers	24 612	21 131
Miscellaneous	10 936	13 062
	67 667	67 402

9. INVENTORY

	2002	2001
Video lotteries		
Video lottery terminals	1 080	3 530
Restaurants		
Food and beverages	4 344	4 257
Hotel kitchen equipment	3 350	1 159
	7 694	5 416
	8 774	8 946

10. FIXED ASSETS

	2002			2001
	Cost	Accumulated Depreciation	Net	Net
Land	32 105		32 105	32 093
Buildings	285 324	55 186	230 138	177 764
Parking lot landscaping	97 515	37 241	60 274	53 064
Rented parking lot landscaping	5 292	1 668	3 624	3 525
Interior design	170 076	59 067	111 009	27 312
Landscaping	30 215	12 316	17 899	11 290
Leasehold improvements	31 755	14 638	17 117	19 108
Amounts carried forward	652 282	180 116	472 166	324 156

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002
(in thousands of dollars)

10. FIXED ASSETS (cont'd)

	2002			2001
	Cost	Accumulated Depreciation	Net	Net
Amounts brought forward	652 282	180 116	472 166	324 156
Office equipment and rolling stock	38 776	17 476	21 300	9 246
Equipment	415 577	292 210	123 367	115 486
Works of art	3 490		3 490	2 858
Construction in progress	2 072		2 072	87 736
	1 112 197	489 802	622 395	539 482

11. DEFERRED CHARGES AMORTIZED

	2002	2001
Start-up costs	5 126	1 036
Pont des Îles	308	615
	5 434	1 651

12. BANK LOANS

Demand bank loans are authorized by the Québec Government for a maximum amount of $400 million and bearing interest at market rates.

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2002	2001
Suppliers and accrued liabilities	113 035	115 077
Dividends	56 000	111 500
Manoir Richelieu LP	4 759	5 351
Nter Technologies LP	6 777	1 902
Québec Sales Tax	2 939	3 785
Goods and Services Tax	2 284	3 296
	185 794	240 911

14. PROVISIONS RELATED TO PRIZES

	2002	2001
Provision for unclaimed prizes	7 202	6 533
Provision for prize structure variances	30 359	27 224
	37 561	33 757

The provision for unclaimed prizes is made up of unclaimed prizes from all Loto-Québec products, excluding Canada-wide games. This amount is used for payment of bonus and retailer prizes.

14. PROVISIONS RELATED TO PRIZES (cont'd)

The provision for prize structure variances in bingo and certain lottery products is made up of all differences between the theoretical amount of prizes to be awarded under the prize structure and the actual amount payable. Monies from this provision are used principally to offset occasional shortfalls arising from prize structures that exceed the forecast amount. With the approval of the Board of Directors, this provision may also be used for bonus prizes or for discharging any claims associated with the games, or it may be included in the results.

15. COMMITMENTS

Leases

Under an agreement expiring in 2003, the Corporation is committed to paying a minimum of $10.6 million in total for the rental of the premises occupied by its head office in a building held in joint tenancy with SITQ National Inc., representing a consolidated commitment of $5.3 million. In addition, the Corporation is committed under long-term leases expiring on various dates up until 2035 to renting space for administrative offices. In certain cases, these leases have a two- to five-year renewal option.

The minimum rental payments (in thousands of dollars) are as follows:

2003	14 260
2004	9 853
2005	6 801
2006	4 421
2007	3 804
2008 and subsequent	18 586
	57 725

Video lotteries

In December 1997, the Québec Government authorized a subsidiary of Loto-Québec to acquire a central system including site controllers for an amount not exceeding $20 million, of which $6 million (2001: $6 million) was accounted for as at March 31, 2002. At that date, commitments related to this project totalled $13.3 million (2001: $13.3 million).

In August 1999, the Québec Government authorized that same subsidiary to acquire bar code scanners for the operation of video lottery systems for an amount not exceeding $7 million, of which $0.1 million (2001: $0.1 million) was accounted for as at March 31, 2002. At that date, contractual commitments related to this project totalled $2.6 million (2001: $2.6 million).

In addition, the Québec Government authorized the Corporation to acquire video lottery terminals for an amount not to exceed $201 million, of which $24.8 million was accounted for as at March 31, 2002. At that date, contractual commitments related to this project totalled $163.6 million.

Development of the Lac-Leamy Golf Course

The total budget for the development of the Lac-Leamy Golf Course is $17.3 million. As at march 31, 2002, $3.5 million (2001: $3.3 million) was accounted for and commitments on that date equalled $0.4 million (2001: $0.4 million).

Lac-Leamy Multi-Level Parking Lot

The total budget for the construction of the Lac-Leamy multi-level parking lot is $29.5 million. As at March 31, 2002, $2.0 million was accounted for and commitments on that date equalled $15.3 million.

15. COMMITMENTS (cont'd)

Contributions to the Québec Government

Ministère des Finances

With the authorization of the Québec Government, the Corporation has given its commitment to the Ministère des Finances to pay sums into a designated fund to finance certain projects and activities related to the plan to revitalize the horseracing industry. This temporary contribution is equivalent to the annual commission collected by Québec racetracks for video lottery terminals. The Corporation is unable to assess the total amount of this commitment at this time.

In addition, with the authorization of the Québec Government, the Corporation has committed to paying $7.4 million during fiscal 2002-2003 (2002: $12.4 million) to the Société nationale du cheval de course (SONACC) to enable that organization to increase its funds for regular racing programs and special events.

Ministère de l'Agriculture, des Pêcheries et de l'Alimentation (MAPAQ)

In view of the decision to terminate the activities of fairground casinos, the Government authorized Loto-Québec to give its commitment to the MAPAQ to pay an annual sum of $5 million into a designated fund for five years, starting in the 1998 calendar year. Upon expiry, the agreement will be renewable by mutual consent of the parties.

Ministère de la Santé et des Services sociaux

With the authorization of the Québec Government, the Corporation has given its commitment to the Ministère de la Santé et des Services sociaux to pay a total of $17 million annually into a designated fund to finance prevention activities, treatment services, research programs and information campaigns to help compulsive gamblers.

Moreover, the Corporation has also given its commitment to the Ministère to pay $30 million annually into another designated fund to finance support and assistance services for seniors with restricted mobility living at home or at residential centres. The Corporation is unable to assess the total amount of these commitments.

Ministère de la Sécurité publique

With the authorization of the Québec Government, the Corporation has given its commitment to the Ministère de la Sécurité publique to pay an annual sum of $3 million into a designated fund to finance a series of rigorous control activities and measures to be implemented by the Régie des alcools, des courses et des jeux related, in particular, to overseeing access to video lottery terminals. The Corporation is unable to assess the total amount of this commitment at this time.

Ministère des Affaires municipales

In view of the decision to terminate the activities of temporary casinos, the Government authorized Loto-Québec to give its commitment to the Ministère des Affaires municipales to pay a sum of $2.6 million into a designated fund over a five-year period to finance certain organizations, projects and activities in the field of sports and recreation. The final payment of $0.3 million will be made during the next fiscal year.

16. CONSOLIDATED CASH FLOWS

	2002	2001
CASH AND CASH EQUIVALENTS		
Cash on hand – Casinos	42 328	33 247
Cash on hand	37 485	27 867
	79 813	61 114

16. CONSOLIDATED CASH FLOWS (cont'd)

	2002	2001
CHANGES TO ASSETS AND LIABILITIES RELATED TO OPERATIONS		
Accounts receivable	(265)	(13 934)
Inventory	172	(1 021)
Prepaid expenses	(3 481)	487
Prizes payable	2 793	6 451
Accounts payable and accrued liabilities	1 956	2 259
Provisions related to prizes	3 804	(5 481)
Deferred income	588	(1 650)
	5 567	(12 889)
SUPPLEMENTARY INFORMATION		
Interest paid	5 915	8 282
Prepaid expenses transferred to fixed assets	140	1 438

17. PENSION PLANS

Employees of the parent corporation, La Société des loteries vidéo du Québec inc., La Société des bingos du Québec inc. and Ingenio, filiale de Loto-Québec inc., participate in the Régime de retraite des employés du gouvernement et des organismes publics (RREGOP), the Régime de retraite des fonctionnaires (RRF) and the Régime de retraite du personnel d'encadrement (RRPE). These are benefit-based pension plans and contain guarantees upon retirement or death. Contributions charged to consolidated earnings for the fiscal year for these plans total $1.4 million (2001: $1.4 million). The employer's obligations towards these government plans are limited to its contributions as an employer.

La Société des casinos du Québec inc. and Resto-Casino inc. offer their employees a defined contribution plan, paying an amount equal to the employee's contribution, up to 5% of the annual base salary. The employer's contribution is vested to the employee upon payment. Contributions charged to consolidated earnings for the fiscal year under this plan total $7.9 million (2001: $6.3 million).

18. RELATED PARTY TRANSACTIONS

Over the course of the fiscal year, the Corporation engaged the consulting and management services of a limited partnership company for a total of $32.6 million (2001: $10.4 million).

In addition to the related party transactions already outlined and accounted for, Loto-Québec is related to all Québec Government departments and special funds, as well as all agencies and enterprises controlled directly or indirectly by the Government, or subject either to joint control or to significant mutual influence on the part of the Government. The Corporation has not concluded any business transaction with these related parties other than within the normal course of its activities and on regular business terms. These transactions are not disclosed separately in the financial statements.

19. COMPARATIVE FIGURES

Certain totals posted for the year 2001 have been reclassified in order to conform to the presentation adopted in 2002.

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002
(in thousands of dollars)

20. SEGMENTED INFORMATION

	2002							
Activity Sectors	Lotteries	Casinos Restaurants Lodging	Video Lotteries	Bingo	Multimedia	Corporate	Inter-Company Elimination	Consolidated Figures
Revenue								
Games	1 793 297	727 037	1 067 506	39 647	917		(551)	3 627 853
Restaurants		68 877					(38 195)	30 682
Lodging		3 251						3 251
	1 793 297	799 165	1 067 506	39 647	917		(38 746)	3 661 786
Cost of sales								
Games	1 085 095	13 721	281 906	20 609			(551)	1 400 780
Restaurants		21 859						21 859
	1 085 095	35 580	281 906	20 609			(551)	1 422 639
Gross profit	708 202	763 585	785 600	19 038	917		(38 195)	2 239 147
Operating expenses								
Operating expenditures [1]	124 228	391 827	39 790	5 205	7 061	40 278	(38 195)	570 194
Depreciation of fixed assets	18 123	43 759	6 213	216	166	7 568		76 045
Amortization of patents					308			308
Amortization of deferred charges		1 333						1 333
Interest – net		(887)	(64)	(11)	(12)	7 998		7 024
	142 351	436 032	45 939	5 410	7 523	55 844	(38 195)	654 904
Income (loss) before the following items	565 851	327 553	739 661	13 628	(6 606)	(55 844)		1 584 243
Special payments [1]	14 408	4 740		8 783		(1 610)		26 321
Goods and Services Tax [1]	17 589	9 298	22 341	432		1 256		50 916
Québec Sales Tax [1]	20 321	10 658	25 613	495		1 440		58 527
	52 318	24 696	47 954	9 710		1 086		135 764
Net income (loss)	513 533	302 857	691 707	3 918	(6 606)	(56 930)		1 448 479

[1] Indirect costs were paid by the corporate sector and are charged back to other activity sectors in accordance with the extent of their use. An amount of $17.7 million was charged towards the lottery sector's results, an amount of $43.4 million towards the casino sector's results, an amount of $49.7 million to those of the video lottery sector, and $2.1 million to the bingo sector.

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002
(in thousands of dollars)

20. SEGMENTED INFORMATION (cont'd)

	2001							
Activity Sectors	Lotteries	Casinos Restaurants Lodging	Video Lotteries	Bingo	Multimedia	Corporate	Inter-Company Elimination	Consolidated Figures
Revenue								
Games	1 825 528	696 471	1 053 047	41 044	540		(300)	3 616 330
Restaurants		66 355					(39 473)	26 882
Lodging								
	1 825 528	762 826	1 053 047	41 044	540		(39 773)	3 643 212
Cost of sales								
Games	1 112 727	12 720	316 672	21 182			(300)	1 463 001
Restaurants		20 177						20 177
	1 112 727	32 897	316 672	21 182			(300)	1 483 178
Gross profit	712 801	729 929	736 375	19 862	540		(39 473)	2 160 034
Operating expenses								
Operating expenditures [1]	122 689	358 261	35 644	5 211	6 680	38 730	(39 473)	527 742
Depreciation of fixed assets	17 695	44 439	8 715	698	120	6 054		77 721
Amortization of patents					309			309
Amortization of deferred charges		308						308
Interest – net		(948)	(110)	(15)	(14)	8 236		7 149
	140 384	402 060	44 249	5 894	7 095	53 020	(39 473)	613 229
Income (loss) before the following items	572 417	327 869	692 126	13 968	(6 555)	(53 020)		1 546 805
Special payments [1]	14 121	5 762		9 104		(116)		28 871
Goods and Services Tax [1]	18 233	9 011	24 693	444		755		53 136
Québec Sales Tax [1]	21 027	10 330	28 308	509		866		61 040
	53 381	25 103	53 001	10 057		1 505		143 047
Net income (loss)	519 036	302 766	639 125	3 911	(6 555)	(54 525)		1 403 758

[1] Indirect costs were paid by the corporate sector and are charged back to other activity sectors in accordance with the extent of their use. An amount of $13.3 million was charged towards the lottery sector's results, an amount of $45.4 million towards the casino sector's results, an amount of $55.0 million to those of the video lottery sector, and $1.8 million to the bingo sector.

LOTO-QUÉBEC

MANAGEMENT REPORT

The Board of Directors is responsible for the consolidated financial statements drawn up for the shareholder. It delegates responsibility for preparing them to senior management, while the Audit Committee reviews them.

Management has a system of internal controls to ensure that the financial statements are reliable, and Internal Audit monitors the system to ensure it works properly.

The consolidated financial statements are prepared according to Canadian generally accepted accounting principles which, in certain cases, require judgements on the part of management. The financial information contained within the rest of the annual report corresponds to the information provided in the financial statements.

By law, the Auditor General of Québec audits the books and accounts of Loto-Québec. The Audit Committee and the Auditor General meet with management to discuss questions pertaining to the audit and to the consolidated financial statements. Audit Committee members have no link to Loto-Québec other than as directors.

Upon the recommendation of the Audit Committee, the Board of Directors has approved the consolidated financial statements of Loto-Québec for the fiscal year ended March 31, 2002.

Gaétan Frigon, President and
Chief Executive Officer

Gérald Houle, CMA, Corporate Vice-President
Finance and Administration

Montréal, May 23, 2002

LOTO-QUÉBEC

AUDITOR'S REPORT

To the Minister of State for Economy and Finance

I have audited the consolidated balance sheet of Loto-Québec as at March 31, 2002 and the consolidated statements of income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of Loto-Québec's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. These standards require that I plan and perform an audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present, in all material aspects, the financial position of Loto-Québec as at March 31, 2002, and the results of its operations and cash flows for the year ended in accordance with Canadian generally accepted accounting principles. As required by the Auditor General Act (R.S.Q., Chapter V-5.01), I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Interim Auditor General

Québec City, May 23, 2002

MUSÉE D'ART CONTEMPORAIN DE MONTRÉAL
(R.S.Q., c. M-44)

INCOME AND CHANGES IN FUND BALANCES
for the year ended March 31, 2002

	General Fund	Commercial Activities Fund
REVENUE		
Gouvernement du Québec subsidies		
Operations	$6 622 600	
Specific projects	883 771	
Federal subsidies for specific projects	396 400	
Donations of works of art	2 108 774	
Financial sponsorship (Note 6)	388 920	
Investment income (Note 7)	47 223	
Sales		$613 229
Space rental		195 586
Exhibitions on loan	53 572	
Royalties – food services		58 879
Admission fees	265 829	
Other revenue	163 437	9 263
	10 930 526	876 957
EXPENDITURE		
Salaries and other remuneration (Note 4)	4 374 725	165 785
Professional, administrative and other services	1 823 396	57 329
Transportation and communications	786 394	25 198
Materials and supplies	742 645	364 972
Rentals	781 170	21 165
Maintenance and repairs	208 947	1 914
Interest charges and cost of borrowing	2 830	
Acquisition of works of art and archives (Note 8)		
Donations – works of art	2 108 774	
Purchases -- works of art	273 663	
Amortization – works of art		
Depreciation of fixed assets		
Fund-raising expenses (Note 5)		
	11 102 544	636 363
EXCESS (DEFICIENCY) REVENUE OVER EXPENDITURE	(172 018)	240 594
FUND BALANCES, BEGINNING OF YEAR		
Previously established balances	(429 054)	275 000
Adjustment (Note 4)	370 445	
Adjusted balances	(58 609)	275 000
Interfund contributions (Note 9)	240 594	(240 594)
FUND BALANCES, END OF YEAR	$9 967	$275 000

Fixed Assets Fund	Fund-Raising Campaign Fund	Lavalin Collection Fund	Endowment Fund for the Acquisition of Works of Art	Total 2002	Total 2001 (Note 4)
$1 069 330	$140 122	$584 963		$8 417 015	$8 534 310
				883 771	1 007 845
				396 400	361 200
				2 108 774	2 274 709
				388 920	410 392
				47 223	72 206
				613 229	527 368
				195 586	201 713
				53 572	26 166
				58 879	58 652
				265 829	155 859
				172 700	113 598
1 069 330	140 122	584 963		13 601 898	13 744 018
				4 540 510	4 608 893
				1 880 725	1 848 598
				811 592	426 466
				1 107 617	843 955
				802 335	736 195
614 533	48 441	32 903		210 861	228 342
				698 707	747 003
				2 108 774	2 274 709
				273 663	379 944
		552 060		552 060	552 060
517 152				517 152	628 802
	91 681			91 681	77 913
1 131 685	140 122	584 963		13 595 677	13 352 880
(62 355)				6 221	391 138
(384 268)			$1 412 846	874 524	853 831
				370 445	
(384 268)			1 412 846	1 244 969	853 831
$(446 623)			$1 412 846	$1 251 190	$1 244 969

MUSÉE D'ART CONTEMPORAIN DE MONTRÉAL

BALANCE SHEET
as at March 31, 2002

	General Fund	Commercial Activities Fund
ASSETS		
Current assets		
Cash on hand	$1 460 231	
Short-term investments (Note 10)		
Accounts receivable	450 861	$161 773
Accrued interest	15 233	
Interfund receivables, interest-free and no repayment terms	636 866	
Current portion of Gouvernement du Québec subsidies receivable	298 243	
Other subsidies receivable	33 000	
Inventory		131 707
Prepaid expenses	8 354	200
	2 902 788	293 680
Gouvernement du Québec subsidies receivable		
Works of art in the Lavalin Collection		
Portfolio investments (Note 10)		
Fixed assets (Note 11)		
	$2 902 788	$293 680
LIABILITIES		
Current liabilities		
Bank advances (Notes 12 and 13)		
Accounts payable and accruals (Note 4)	$1 307 838	
Interfund receivables, interest-free and no repayment terms		$12 180
Interest payable		
Revenue collected in advance	138 656	6 500
Deferred investment income (Note 10)	470 193	
Deferred Gouvernement du Québec subsidies	414 734	
Current portion of long-term debt (Note 14)		
	2 331 421	18 680
Future fringe benefits (Note 17)	561 400	
Long-term debt (Note 14)		
Deferred Gouvernement du Québec subsidies (Note 15)		
	2 892 821	18 680
FUND BALANCES (Note 4)		
External appropriations		275 000
Non-appropriated funds	9 967	
	9 967	275 000
	$2 902 788	$293 680

On behalf of the Board of Directors,
Pierre Bourgie
Rosaire Archambault

Fixed Assets Fund	Fund-Raising Campaign Fund	Lavalin Collection Fund	Endowment Fund for the Acquisition of Works of Art	Total 2002	Total 2001 (Note 4)
			$436	$1 460 667	$952 837
			175 820	175 820	268 960
	$58 185			670 819	580 151
				15 233	14 103
$662 385	88 584	$568 511		1 617 723	2 135 121
				33 000	
				131 707	124 293
				8 554	49 509
662 385	146 769	568 511	176 256	4 113 523	4 124 974
6 301 507	671 850			6 973 357	7 337 194
		552 060		552 060	1 104 120
			1 654 336	1 654 336	1 512 181
428 263				428 263	635 180
$7 392 155	$818 619	$1 120 571	$1 830 592	$13 721 539	$14 713 649
$72 000				$72 000	$518 300
				1 307 838	730 952
181 324	$25 616		$417 746		
294 197	21 869	$16 451		332 517	356 115
				145 156	51 506
				470 193	417 789
	32 569			447 303	1 009 750
366 551	66 715	552 060		985 326	944 286
914 072	146 769	568 511	417 746	3 760 333	4 028 698
				561 400	531 972
6 301 507	671 850			6 973 357	7 337 194
623 199		552 060		1 175 259	1 570 816
7 838 778	818 619	1 120 571	417 746	12 470 349	13 468 680
(446 623)			1 412 846	1 241 223	1 303 578
				9 967	(58 609)
(446 623)			1 412 846	1 251 190	1 244 969
$7 392 155	$818 619	$1 120 571	$1 830 592	$13 721 539	$14 713 649

MUSÉE D'ART CONTEMPORAIN DE MONTRÉAL

CASH FLOWS
for the year ended March 31, 2002

	General Fund	Commercial Activities Fund
OPERATING ACTIVITIES		
Excess (deficiency) revenue over expenditure	$(172 018)	$240 594
Items not affecting liquid assets:		
Depreciation of fixed assets		
Amortization of works art		
	(172 018)	240 594
Changes in assets and liabilities related to operations	439 254	
Cash flows provided by operating activities	267 236	240 594
FINANCING ACTIVITIES		
Repayment of long-term debt		
Long-term debt		
Repayment of bank advances		
Cash flows used for financing activities		
INVESTMENT ACTIVITIES		
Acquisition of fixed assets		
Acquisition of investments		
Cash flows used for investment activities		
INCREASE IN CASH AND CASH EQUIVALENTS	267 236	240 594
Inter-fund contributions	240 594	(240 594)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	952 401	
CASH AND CASH EQUIVALENTS, END OF YEAR	$1 460 231	

Cash and cash equivalents include cash on hand.

Fixed Assets Fund	Fund-Raising Campaign Fund	Lavalin Collection Fund	Endowment Fund for the Acquisition of Works of Art	Total 2002	Total 2001 (Note 4)
$(62 355)				$6 221	$391 138
517 152				517 152	628 802
		$552 060		552 060	552 060
454 797		552 060		1 075 433	1 572 000
10 464	$62 011		$49 015	560 744	525 130
465 261	62 011	552 060	49 015	1 636 177	2 097 130
(324 335)	(62 011)	(552 060)		(938 406)	(944 285)
615 609				615 609	
(446 300)				(446 300)	234 200
(155 026)	(62 011)	(552 060)		(769 097)	(710 085)
(310 235)				(310 235)	(142 431)
			(49 015)	(49 015)	(343 521)
(310 235)			(49 015)	(359 250)	(485 952)
				507 830	901 093
			436	952 837	51 744
			$436	$1 460 667	$952 837

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

A legal person within the meaning of the Civil Code, the Musée d'Art contemporain de Montréal was established by the National Museums Act (R.S.Q., c. M-44) to make known, promote and preserve contemporary Québec art and to ensure a place for international contemporary art through acquisitions, exhibitions and other cultural activities.

2. PURPOSE OF THE FUNDS

The General Fund accounts for the Musée's current operations.

The Commercial Activities Fund shows the Musée's commercial activities, such as the sale of exhibition catalogues, restaurant and gift shop operations, the production and sale of by-products and rental of space. Under a regulation approved by the Government in September 1994, the Fund balance must not exceed $275 000 and must be used to repay borrowings or finance the Musée's activities.

The Fixed Assets Fund shows all assets, liabilities, revenue and expenditure related to fixed assets. All amounts recorded in the Fixed Assets Fund are reserved for the acquisition of fixed assets for the Musée and the payment of related costs. The Musée may not acquire, dispose of, mortgage or rent any building without the Government's approval.

The Fund-Raising Campaign Fund receives donations for the acquisition of works of art and fixed assets.

The Lavalin Collection Fund accounts for transactions made with the loan authorized to finance the acquisition of works of art in this Collection.

The Endowment Fund for the Acquisition of Works of Art presents resources acquired through endowments. Under a regulation approved by the Government, only investment income generated by this Fund can be used to acquire works of art for the Musée's collection.

3. ACCOUNTING POLICIES

The financial statements of the Musée were prepared by management according to the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Subsidy recording

Subsidies are recorded using the deferral method. Appropriated subsidies are recognized as revenue in the year in which the related expenditure is incurred. Non-appropriated subsidies are recognized as revenue when they are received or are receivable if the amount receivable can be evaluated with reasonable assurance and its receipt is reasonably assured.

Endowments

Endowments are accounted for as a direct increase in the balance of the Endowment Fund for the Acquisition of Works of Art, whereas investment income is recognized as deferred investment income in the General Fund and accounted for as proceeds when used for the acquisition of works of art.

Works of art

Acquisitions of works of art are charged to expenditure of the General Fund.

The value of works of art received as donations during the year is ascertained by experts and, if over $1 000, must be certified by the Canadian Cultural Property Export Review Board of the Government of Canada. Works of art acquired through donations are recorded in the statement of revenue and expenditure of the General Fund when all attendant conditions have been fulfilled.

Works of art in the Lavalin Collection are recorded at amortized cost. The cost of the Collection was determined jointly by the Ministère de la Culture et des Communications and the trustee in bankruptcy for Lavalin Inc. The works in the Collection are amortized according to the same terms as those respecting repayment of the principal on the long-term debt contracted for them.

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

3. ACCOUNTING POLICIES (cont'd)

Investments

Short-term investments are recorded at the lower of cost and market value. Portfolio investments are recorded at cost. Any lasting decrease in market value is reduced by the investments' book value, where applicable.

Fixed assets

Fixed assets are recorded at acquisition cost and depreciated on a straight-line basis over their estimated service lives, namely:

Storerooms for works of art	10 years
Computer system	3 years
Musée furnishings	10 years
Musée equipment	5 years
Audiovisual equipment	3 years
Gift shop equipment	5 years
Restaurant equipment	5 years
Sculpture garden	10 years

Inventory

Gift shop inventory is valued at the lower of cost and net realizable value. Cost is determined by the first in, first out (FIFO) method.

Contributions in the form of services

The Ministère de la Culture et des Communications provides the Musée with art restoration services free of charge. These services are not shown in the financial statements. The Musée is unable to evaluate these amounts with reasonable assurance.

Pension plans

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the Musée lacks sufficient information to apply the accounting procedure for defined-benefit plans.

4. CHANGES IN ACCOUNTING POLICY

The Gouvernement du Québec authorized a specific subsidy of $725 000 to finance costs related to Musée employees' vacation time and sick leave. Provisions related to vacation time and sick leave recorded as at March 31, 2001 were adjusted. The financial statements for the fiscal year ended March 31, 2001 were adjusted to reflect these commitments.

This change, applied retroactively, increased the following financial statements items.

	2001
Gouvernement du Québec subsidy: specific projects	$725 000
Salaries and other remuneration	354 555
Excess revenue over expenditure	370 445
Short-term portion of Gouvernement du Québec subsidies receivable	725 000
Accounts payables and accruals	54 459
Future fringe benefits	300 126
Fund balance	370 445

5. FONDATION DU MUSÉE

The Fondation du Musée d'Art contemporain de Montréal is a public foundation under section 149.1(6.3) of the Income Tax Act. The Fondation was established as a non-profit organization in 1983 and is headed by an independent board of directors, composed of fifteen (15) members, one of whom is a delegate from the board of directors and another of whom is a manager with the Musée. The foundation's main purpose is to support the growth of the Musée d'Art contemporain de Montréal, primarily by contributing to the enrichment of its collection. Its duties include soliciting members, managing memberships and mailing lists, planning volunteer work and promoting fund-raising activities.

To help the foundation fulfil its mandate, the Musée d'Art contemporain de Montréal provides it with office space and the services required for its smooth operation (furniture, telephones, photocopies, computers and printer, office supplies and postage expenses). The Musée also makes space available to the foundation for the special events it organizes.

In return, the foundation provides the Musée with various services, such as running the cloakroom, maintaining the computerized mailing list for invitations to openings, the Musée's newsletter and its calendar of events, and providing the necessary manpower for mailings.

On behalf of the Musée, the foundation contacts benefactors who pledged donations during fund-raising campaigns. The foundation contributed $50 000 (2001: $130 000) to enrich the Musée collection. During the year, the Musée d'Art contemporain de Montréal concluded transactions with the foundation during the normal course of operations. During the fiscal year, a subsidy of $91 681 (2001: $75 750) from the Ministère de la Culture et des Communications was used to cover the costs of a new campaign. As at March 31, 2002, the foundation held $25 000 (2001: $25 000) in the form of cash assets belonging to the Musée.

In the event of dissolution or termination of the foundation's activities, any equity remaining after the foundation's debts have been discharged would be remitted to the Musée. As at March 31, 2002, the net assets of the Fondation des amis du Musée amount to $256 539 (2001: $121 173 restated balance).

6. FINANCIAL SPONSORSHIPS

	2002	2001
Sponsorships obtained in exchange for advertising, posted when exhibitions were presented	$171 523	$119 416
Sponsorships obtained for the realization of exhibitions	127 300	33 101
Other donations	90 097	257 875
	$388 920	$410 392

7. INVESTMENT INCOME

	2002	2001
Income from unappropriated resources	$47 223	$72 206
Income from resources held in the Endowment Fund for the Acquisition of Works of Art	52 404	97 429
Less: Deferred amounts slated for the acquisition of works of art	(52 404)	(97 429)
Total investment incomes recorded as proceeds	$47 223	$72 206

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

8. COLLECTIONS

The Musée d'Art contemporain de Montréal holds 6 257 works of art, including 1 326 in the Lavalin Collection, which the Musée acquired in 1992 through a special $5.4-million subsidy from the Gouvernement du Québec. The Musée's overall collection comprises paintings, sculptures, prints, photographs, installation works, films and videos, most of which were produced after 1939, the cutoff date for the period covered by the Musée's activities. The Musée develops its collection in keeping with the mandate entrusted to it under its governing statute, that is, to ensure a place for contemporary Québec art on the Canadian and international art scenes.

Among other things, the Musée maintains archival collections, comprising primarily the Fonds Borduas, the Fonds Boulerice and the Fonds Mousseau.

During fiscal 2001-2002, the Musée acquired 143 works of art and archives (2001: 225), 24 of which were purchased (2001: 14) for a total of $273 663 (2001: $379 944). The Musée issued receipts totalling $2 108 774 (2001: $2 274 709) for the 119 donations accepted (2001: 211).

9. INTERFUND CONTRIBUTIONS

	General Fund		Commercial Activities Fund		Fund-Raising Campaign Fund		Endowment Fund for the Acquisition of Works of Art	
Objects	2002	2001	2002	2001	2002	2001	2002	2001
Positive fund balance (a)						$(25 914)		$25 914
Positive fund balance (b)	$240 594	$249 526	$(240 594)	$(249 526)				
	$240 594	$249 526	$(240 594)	$(249 526)		$(25 914)		$25 914

a) Transfer of net figures from the Fund-Raising Campaign Fund to the Endowment Fund for the Acquisition of Works of Art.

b) Transfer to the General Fund of the portion of the Commercial Activities Fund balance in excess of $275 000.

10. ENDOWMENT FUND - INVESTMENTS

	2002		2001	
	Cost	Market value	Cost	Market value
Short-term investments				
Treasury bills maturing in May and June 2002, interest from 1.95% to 2.30 %	$175 820	$176 029	$268 960	$268 972

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

10. ENDOWMENT FUND – INVESTMENTS (cont'd)

	2002		2001	
	Cost	Market value	Cost	Market value
Portfolio investments				
Bonds maturing between				
1 to 5 years, interest from 5.62% to 9.15%	$97 469	$93 448	$149 939	$140 733
6 to 10 years, interest from 5.5% to 10.35%	512 390	504 086	346 379	344 741
11 years and more, interest from 5.8% to 10.25%	200 484	198 177	205 259	204 930
	810 343	795 711	701 577	690 404
Shares	843 993	1 019 894	810 604	913 384
	$1 654 336	$1 815 605	$1 512 181	$1 603 788

The net investment income accumulated at March 31, 2002, and available for acquisitions under the Fund's regulations, totalled $470 193 (2001: $417 789) and are recorded as deferred investment income in the General Fund.

11. FIXED ASSETS FUND - FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net value	Net value
Storerooms for works of art	$631 810	$618 142	$13 668	$74 167
Computer system	573 825	548 206	25 619	39 446
Musée furnishings	3 396 296	3 233 761	162 535	368 670
Musée equipment	222 323	151 602	70 721	49 007
Audiovisual equipment	360 450	217 570	142 880	43 314
Gift shop equipment	47 434	47 434		8 066
Restaurant equipment	96 623	88 197	8 426	408
Sculpture garden	477 848	473 434	4 414	52 102
	$5 806 609	$5 378 346	$428 263	$635 180

12. FIXED ASSETS FUND– BANK ADVANCES

	2002	2001
Demand loans authorized by decree for a maximum amount of $232 100 ($720 100) bearing interest at the prime rate	$72 000	$518 300

13. OPERATING FUND – CREDIT LINE

The Musée has a $1 000 000 line of credit authorized by Gouvernement du Québec Order-in-Council and bearing interest at the prime rate for a term not to exceed one year. At March 31, 2002, no amount was owing.

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

14. LONG-TERM DEBT

	Fixed Assets Funds	Fund-Raising Campaign Fund	Lavalin Collection Fund	Total 2002	Total 2001
Borrowing on a note from the Financing Fund of the Gouvernement du Québec, 9.5% guaranteed by the Gouvernement du Québec, repayable in nine annual instalments of $308 832 beginning April 1, 1996 and a final instalment of $4 941 312 on April 1, 2005 *	$5 867 808			$5 867 808	$6 176 640
Borrowing on a note from the Financing Fund of Gouvernement du Québec, 6.076%, guaranteed by the Gouvernement du Québec, repayable in ten annual instalments of $83 981 beginning June 1, 2003 *	184 641	$738 565		923 206	1 000 720
Borrowing on a note from the Financing Fund of Gouvernement du Québec, 6.296%, guaranteed by the Gouvernement du Québec, repayable in eight annual instalments of $41 041 beginning June 28, 2002 and a final instalment of $287 284 $ on June 28, 2010 *	615 609			615 609	
Borrowing on a note from the Financing Fund of Gouvernement du Québec, 5.96%, guaranteed by the Gouvernement du Québec, repayable in five annual instalments of 552 060 beginning April 1, 1998 and maturing on April 1, 2002 *			552 060 $	552 060	1 104 120
	6 668 058	738 565	552 060	7 958 683	8 281 480
Less: current portion	366 551	66 715	552 060	985 326	944 286
	$6 301 507	$671 850		$6 973 357	$7 337 194

* The principal on these loans is paid in annual instalments out of the Gouvernement du Québec subsidy received for this purpose.

Payments of principal on the long-term debt for the next five fiscal years are as follows:

2003	$985 326
2004	433 854
2005	433 854
2006	5 066 334
2007	125 022

15. DEFERRED GOUVERNEMENT DU QUÉBEC SUBSIDIES

The deferred subsidies shown in the Fixed Assets Fund and the Lavalin Collection Fund include the non-amortized portion of contributions received and receivable in the form of subsidies.

	2002	2001
Fixed Assets Fund		
Opening balance	$466 696	$1 087 430
Specific subsidy for the long-term debt	611 300	
Amortization of deferred subsidies	(454 797)	(620 734)
Closing balance	623 199	466 696
Lavalin Collection Fund		
Opening balance	1 104 120	1 656 180
Amortization of deferred subsidies	(552 060)	(552 060)
Closing balance	552 060	1 104 120
Total	$1 175 259	$1 570 816

16. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements and recorded at exchange value, the Musée is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Musée did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

17. GENERAL FUND – FUTURE FRINGE BENEFITS

Pension plans

The staff members of the Musée participate in the Government and Public Employees Retirement Plan (RREGOP) or the Pension Plan of Management Personnel (PPMP). These are interenterprise defined-benefit plans and include guaranteed payments upon retirement and death.

The Musée's contributions charged to the year-end statement amount to $112 864 (2001: $115 758). The Musée's liability towards these Government plans is restricted to its contributions as an employer.

Provision for sick leave

	2002	2001
Closing balance	$531 973	$520 207
Charge for the year	122 620	101 049
Benefits paid during the year	(93 193)	(89 283)
Closing balance	$561 400	$531 973

MUSÉE D'ART CONTEMPORAIN DE MONTRÉAL

MANAGEMENT'S REPORT

The financial statements of the Musée d'Art contemporain de Montréal were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements. Management carries out audits periodically to ensure that the internal controls applied regularly by the Musée are appropriate and consistent.

The Musée recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors must oversee the manner in which management performs its financial reporting duties, and has approved the financial statements. It is assisted by the budget, audit and management advisory committee, whose members are not management. This committee meets with management and the auditor, examines the financial statements and recommends their approval to the board of directors.

The Auditor General of Québec has audited the Musée's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the budget, audit and management advisory committee to discuss any matter related to the audit.

Marcel Brisebois
Director General

Montréal, June 7, 2002

MUSÉE D'ART CONTEMPORAIN DE MONTRÉAL

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Musée d'Art contemporain de Montréal as at March 31, 2002 and the statements of income and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of Musée management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Musée's financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, given the retroactive application of the change in recording charges related to vacation time and sick leave, disclosed in Note 4, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, June 7, 2002

MUSÉE DE LA CIVILISATION
(R.S.Q., c. M-44)

INCOME
for the year ended March 31, 2002

	2002	2001 (Note 3)
REVENUE		
Gouvernement du Québec subsidies		
Operations	$17 414 100	$17 211 700
Other (Note 4)	4 213 022	5 463 587
Other subsidies for specific projects	351 282	395 074
Financial sponsorships (Note 5)	849 910	882 517
Fondation du Musée de la Civilisation contribution (Note 6)	585 600	500 800
Admission fees	1 017 812	924 941
Gift shop	560 212	648 554
Exhibition loans	1 265 622	730 753
Franchises and rentals	315 014	296 296
Sales of goods and services	281 810	250 950
Interest on short-term investments	112 742	166 067
Other	79 472	42 449
	27 046 598	27 513 688
Sponsorships in exchange for goods and services	510 367	561 251
	27 556 965	28 074 939
EXPENDITURE		
Salaries and fringe benefits	10 932 770	10 491 258
Professional services	4 434 795	4 530 855
Rent	948 222	780 154
Transportation and communications	2 167 975	2 085 871
Equipment and supplies	1 960 266	2 509 993
Maintenance and repairs	775 762	798 748
Administrative expenses	143 439	125 195
Municipal and school taxes	2 021 787	1 962 970
Acquisitions for Musée collections	20 699	30 683
	23 405 715	23 315 727
Interest on long-term debt	1 355 646	1 596 501
Depreciation of fixed assets	2 219 787	2 217 760
	3 575 433	3 814 261
Exchange for goods and services		
Professional services	160 640	104 000
Transportation and communications	284 521	431 551
Equipment and supplies	65 206	25 700
	510 367	561 251
	27 491 515	27 691 239
EXCESS REVENUE OVER EXPENDITURE	$65 450	$383 700

MUSÉE DE LA CIVILISATION

CHANGES IN NET ASSETS
for the year ended March 31, 2002

	2002			2001
	Invested in fixed assets	Non-appropriated	Total	Total
NET ASSETS, BEGINNING OF YEAR	$305 001	$239 017	$544 018	$160 318
Excess (deficiency) revenue over expenditure	(166 114)	231 564	65 450	383 700
Fixed asset investments	452 328	(452 328)		
NET ASSETS, END OF YEAR	$591 215	$18 253	$609 468	$544 018

MUSÉE DE LA CIVILISATION

BALANCE SHEET
as at March 31, 2002

	2002	2001 (Note 3)
ASSETS		
Current assets		
Cash on hand (Note 7)	$2 415 455	$110 145
Short-term investments		1 042 076
Accounts receivable	955 275	1 179 049
Gouvernement du Québec subsidies receivable (Note 8)	2 432 631	4 893 489
Fondation du Musée de la Civilisation contribution receivable	303 600	499 000
Gift shop inventory	171 150	167 889
Prepaid expenses	652 235	645 320
	6 930 346	8 536 968
Deferred expenses	84 932	64 890
Gouvernement du Québec subsidies receivable (Note 8)	18 283 585	19 594 558
Fixed assets (Note 9)	33 902 974	35 125 498
	$59 201 837	$63 321 914
LIABILITIES		
Current liabilities		
Bank loans (Note 10)	$889 816	$306 000
Accounts payable and accruals	2 157 460	2 999 588
Accrued interest	520 840	658 834
Provision for vacation time (Note 15)	685 165	701 635
Deferred contributions (Note 11)	431 638	524 304
Deferred revenue	86 952	490 237
Instalments on long-term debt (Note 12)	1 535 905	1 601 282
	6 307 776	7 281 880
Provision for sick leave (Note 15)	1 562 597	1 429 416
Deferred contributions (Note 11)	34 322 177	35 689 450
Long-term debt (Note 12)	16 399 819	18 377 150
	58 592 369	62 777 896
NET ASSETS		
Net assets invested in fixed assets	591 215	305 001
Non appropriated net assets	18 253	239 017
	609 468	544 018
	$59 201 837	$63 321 914

CONTINGENCIES (Note 16)

On behalf of the Board of Directors,
Henri Grondin
Michèle-B. Rousseau

MUSÉE DE LA CIVILISATION

CASH FLOWS
for the year ended March 31, 2002

	2002	2001 (Note 3)
OPERATING ACTIVITIES		
Excess revenue over expenditure	$65 450	$383 700
Adjustments for:		
Amortization of deferred expenses	40 802	40 819
Depreciation of fixed assets	2 219 787	2 217 760
Amortization of deferred contributions	(2 053 673)	(2 085 460)
	272 366	556 819
Change in non-cash elements of the Working Capital Fund		
Change in accounts receivable	223 774	(68 873)
Change in Gouvernement du Québec subsidies receivable	2 395 481	(111 833)
Change in Fondation du Musée de la Civilisation Contribution receivable	195 400	(499 000)
Change in gift shop inventory	(3 261)	41 128
Increase in prepaid expenses	(6 915)	(94 945)
Change in accounts payable and accruals	(842 128)	540 247
Change in accrued interest	(137 994)	129 414
Change in provision for vacation time	(16 470)	53 856
Change in deferred contributions	(92 666)	161 429
Change in deferred revenue	(403 285)	184 414
Increase in provision for sick leave	133 181	80 845
	1 445 117	416 682
Cash flows related to operating activities	1 717 483	973 501
FINANCING ACTIVITIES		
Bank loans	583 816	306 000
Gouvernement du Québec subsidies received	2 062 750	1 560 464
Repayment on long-term debt	(2 103 552)	(1 601 282)
Cash flows related to financing activities	543 014	265 182
INVESTMENT ACTIVITIES		
Cash flows related to investment activities:		
Acquisition of fixed assets	(997 263)	(598 741)
INCREASE IN CASH AND CASH EQUIVALENTS	1 263 234	639 942
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1 152 221	512 279
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 14)	$2 415 455	$1 152 221

MUSÉE DE LA CIVILISATION

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

A legal person within the meaning of the Civil Code, the Musée de la Civilisation was established under the National Museums Act (R.S.Q., c. M-44). Its functions are to make known the history and the various cultural elements of our civilization, particularly the social and material aspects of the cultures of the occupants of the territory of Québec and the cultures that have contributed to the enrichment of those cultures, to ensure the preservation and development of the ethnographic collection and other representative collections of our civilization and to ensure the participation of Québec in the international network of museological events through acquisitions, exhibitions and other cultural activities.

The Musée de la Civilisation has been recognized as a charitable organization within the meaning of the Income Tax Act and is, consequently, eligible for the tax exemption pertaining to such organizations.

2. ACCOUNTING POLICIES

The financial statements of the Musée were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Reporting contributions

Contributions include subsidies, sponsorships and contributions obtained in order to produce exhibitions.

Contributions are recorded using the deferral method. Appropriated contributions are recognized as revenue in the year in which the related expenditure is incurred. Non-appropriated contributions are recognized as revenue when they are received or are receivable if the amount receivable can be evaluated with reasonable assurance and its receipt is reasonably assured.

Pension plans

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the Musée lacks sufficient information to apply the accounting procedure for defined-benefit plans.

Acquisitions for Musée collections

Works purchased for the Musée's collections are charged to operations. Donated works are not recorded in the financial statements.

Gift shop inventory

The inventory of the Musée's gift shop is valued at the lower of cost and net realizable value. Cost is determined by the first in, first out (FIFO) method.

Deferred expenses

Issue expenses on the long-term debt are deferred and amortized over the term of the debt on a straight-line basis.

Fixed assets

Fixed assets are recorded at cost or, if they are acquired free of charge, according to the municipal assessment on the date of acquisition. They are depreciated on a straight-line basis over their estimated service lives, namely:

2. ACCOUNTING POLICIES (cont'd)

Fixed assets (cont'd)

Buildings	40 years
Building additions and furnishings	10 years
Leasehold improvements	10 years
Furniture and equipment	5 years
Handling, storage, processing and production equipment	5 years
Lighting and sound equipment	5 years
Commercial activity equipment	5 years
Data processing and audiovisual equipment	3 years

Contributions in the form of goods and services

The Musée receives goods and services free of charge, including restoration services for art works and objects from the Ministère de la Culture et des Communications. These contributions are reported in the financial statements at the fair value of the services received.

3. CHANGES IN ACCOUNTING POLICIES

Beginning this fiscal year, charges related to vacation time and sick leave accumulated by Musée employees are recorded under operations for the fiscal year during which the employees render the services entitling them to these holidays. Previously, charges related to vacation time earned by employees were recorded in the fiscal year in which this vacation time could be used. Accumulated sick leave was recorded under operations for the fiscal year in which Musée employees used their leave.

The Gouvernement du Québec awarded a specific $2M subsidy for financing charges related to Musée employees' vacation time and sick leave.

The retroactive application of these changes increased (decreased) the following financial statement items:

	2002	2001
Income		
Gouvernement du Québec subsidy - Other	$8 862	$120 484
Salaries and fringe benefits	137 760	120 484
Balance sheet		
Gouvernement du Québec subsidy receivable		$2 000 000
Provision for vacation time	$566 301	561 722
Deferred contributions – Gouvernement du Québec		8 862
Provision for sick leave	1 562 597	1 429 416
Unappropriated net assets	(128 898)	

MUSÉE DE LA CIVILISATION

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

4. GOUVERNEMENT DU QUÉBEC SUBSIDIES - OTHER

	2002	2001
Subsidies for payment of interest on the Long-term debt	$1 355 646	$1 596 501
Amortization of deferred contributions	2 053 673	2 085 460
Specific projects	608 341	917 642
Centre d'interprétation de Place-Royale	186 500	743 500
Financing of vacation time and sick leave	8 862	120 484
	$4 213 022	$5 463 587

5. FINANCIAL SPONSORSHIPS

	2002	2001
Commercial sponsorships received in exchange for publicity items, recognized when the related exhibition is shown	$223 310	$233 762
Specific sponsorships received for showing exhibitions	172 400	349 805
Gouvernement du Québec contributions for showing exhibitions	454 200	298 950
	$849 910	$882 517

6. FONDATION DU MUSÉE DE LA CIVILISATION CONTRIBUTION

The Fondation du Musée de la Civilisation, which is subject to significant influence by the Musée, was established under Part III of the Québec Companies Act to solicit funds to finance the Musée's cultural and educational activities. In accordance with the regulations governing the Fondation, contributions may be paid to the Musée de la Civilisation only if the Fondation posts a surplus of $300 000. Furthermore, should the Fondation wind down, its net assets would be remitted to the Musée. The Fondation's net assets as at March 31, 2002 amounted to $526 363 (2001: $487 729).

7. CASH

Cash bears interest on a daily basis at the prime rate less 1.75%. At March 31, 2002, the rate was 2%.

8. GOUVERNEMENT DU QUÉBEC SUBSIDIES RECEIVABLE

Gouvernement du Québec subsidies receivable entered as current assets correspond to interest accrued on the long-term debt and to payments of principal on the long-term debt to be made during the coming fiscal year and other operating subsidies receivable.

Those entered as deferred subsidies represent total Gouvernement du Québec commitments related to the acquisition and maintenance of fixed assets less payments of principal on the long-term debt already made or to be made during the coming fiscal year.

9. FIXED ASSETS

	2002			2001
	Cost or stated value	Accumulated depreciation	Net	Net
Land	$2 532 891		$2 532 891	$2 532 891
Buildings	40 622 014	$14 055 586	26 566 428	27 543 471
Building additions and furnishings	8 728 816	7 419 194	1 309 622	796 354
Leasehold improvements	4 148 115	1 555 143	2 592 972	2 996 470
Office furniture and equipment	2 015 415	1 464 305	551 110	821 650
Handling, storage, processing and production equipment	438 616	388 787	49 829	11 691
Lighting and sound equipment	747 103	703 864	43 239	102 244
Commercial activity equipment	114 010	64 239	49 771	49 938
Data processing and audiovisual equipment	906 518	699 406	207 112	270 789
	$60 253 498	$26 350 524	$33 902 974	$35 125 498

During the fiscal year, the Musée acquired fixed assets totalling $997 263 (2001: $946 330), $544 935 (2001: $642 982) of which came out of the Gouvernement du Québec subsidies received for the acquisition and maintenance of fixed assets.

10. BANK LOANS

The Gouvernement du Québec authorized the Musée to contract short-term borrowings of $3 000 000 for its operations and short-term borrowings not to exceed $760 000 for the design and realization of a permanent Musée exhibition. At March 31, 2002, these short-term borrowings were not being used.

The Gouvernement du Québec also authorized the Musée to contract short-term borrowings not to exceed $1 969 000 to retain its assets. The bank borrowings contracted bear interest at the prime rate. At March 31, 2002, this rate was 3.75%.

11. DEFERRED CONTRIBUTIONS

The deferred contributions presented in the short-term relate to the amounts received during the fiscal year and destined to cover the charges related to certain exhibitions beginning or running into subsequent fiscal years. Changes in the short-term balance are as follows:

	2002	2001
Opening balance	$524 304	$362 875
Amount recorded as proceeds for the fiscal year	(391 104)	(320 075)
Amount received for subsequent fiscal years	298 438	481 504
Closing balance	$431 638	$524 304
With the following breakdown:		
Gouvernement du Québec	$181 400	$399 607
Other deferred contributions	250 238	124 697
	$431 638	$524 304

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

11. DEFERRED CONTRIBUTIONS (cont'd)

The deferred contributions presented as long-term include Gouvernement du Québec commitments related to fixed assets and their maintenance. Changes in the long-term balance are as follows:

	2002	2001
Opening balance	$35 689 450	$36 492 310
Gouvernement du Québec commitments	686 400	1 282 600
Amortization of deferred contributions	(2 053 673)	(2 085 460)
Closing balance	$34 322 177	$35 689 450

12. LONG-TERM DEBT

	2002	2001
Borrowings on a note from the Financing Fund of the Gouvernement du Québec, guaranteed by the Gouvernement du Québec:		
5.95% repayable in annual instalments of $420 737 on the principal of the borrowing, maturing December 1, 2010	$6 311 057	$6 684 672
6.85% repayable in annual instalments of $306 580 on the principal of the borrowing, maturing October 1, 2007	5 518 440	5 825 020
5.48% repayable in annual instalments of $432 898 on the principal of the borrowing, maturing October 24, 2008	3 030 287	4 018 160
5.25% repayable in annual instalments of $209 020 on the principal of the borrowing, maturing April 1, 2002 *	1 254 120	1 463 140
7.16% repayable in annual instalments of $86 073 on the principal of the borrowing, maturing October 1, 2007	946 807	1 032 880
7.16% repayable in annual instalments of $79 547 on the principal of the borrowing, maturing October 1, 2007	875 013	954 560
	17 935 724	19 978 432
Instalments due within one year	1 535 905	1 601 282
	$16 399 819	$18 377 150

Principal payments on these borrowings are made annually out of subsidies provided for this purpose by the Gouvernement du Québec.

* This debt was refinanced on April 1, 2002 at a rate of 5.39% repayable in annual capital instalments of $210 070, maturing on April 2, 2007.

12. LONG-TERM DEBT (cont'd)

Payments of principal on the long-term debt for the next five fiscal years are as follows:

2003	$1 535 905
2004	1 535 905
2005	1 535 905
2006	1 535 905
2007	1 535 905

13. WORKS DONATED FOR MUSÉE COLLECTIONS

The Musée gives receipts for donated works, the value of which is certified by the Canadian Cultural Property Export Review Board. The cumulative value of works donated since 1991 breaks down as follows:

	2002	2001
Opening balance	$3 568 667	$3 462 133
Receipt issued	170 160	106 534
Closing balance	$3 738 827	$3 568 667

14. CASH FLOWS

Interest paid

	2002	2001
Interest paid during the fiscal year	$1 501 451	$1 449 230

Cash and cash equivalents

	2002	2001
Cash on hand	$2 415 455	$110 145
Short-term investments		1 042 076
	$2 415 455	$1 152 221

15. FUTURE FRINGE BENEFITS

Pension plans

The staff members of the Musée de la Civilisation participate in the Government and Public Employees Retirement Plan (RREGOP, the Pension Plan of Management Personnel (PPMP) or the Civil Service Superannuation Plan (CSSP). These are interenterprise defined-benefit plans and include guaranteed payments upon retirement and death.

The Musée's contributions charged to the year-end statement amount to $298 890 (2001: $248 522). The liability of the Musée towards these Government plans is restricted to its contributions as an employer.

15. FUTURE FRINGE BENEFITS (cont'd)

Provision for sick leave and vacation time

	2002		2001	
	Vacation time	Sick leave	Vacation time	Sick leave
Opening balance	$701 635	$1 429 416	$647 779	$1 348 571
Charges for the year	599 294	382 223	584 524	372 362
Benefits paid during the year	(615 764)	(249 042)	(530 668)	(291 517)
Closing balance	$685 165	$1 562 597	$701 635	$1 429 416

16. CONTINGENCIES

Legal action involving damages and interest taken against the Musée total $136 200. In the Musée's opinion, no significant liability can result from these proceedings.

17. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements and measured at exchange value, the Musée is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Musée did not conclude any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

18. COMPARATIVE FIGURES

Certain 2001 figures were reclassified for consistency with the presentation adopted in 2002.

MUSÉE DE LA CIVILISATION

MANAGEMENT'S REPORT

The financial statements of the Musée de la Civilisation were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements. Management carries out audits periodically to ensure that the internal controls applied regularly by the Musée are appropriate and consistent.

The Musée recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors oversees the manner in which management performs its financial reporting duties and has approved the financial statements. It was assisted by the audit committee, whose members are not part of management. This committee meets with management, examines the financial statements and recommends their approval to the board of directors.

The Auditor General of Québec has audited the Musée's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the audit committee to discuss any matter related to this audit.

Claire Simard
Director General

Danielle Poiré
Director of Curatorship and Administration

Québec, June 13, 2002

MUSÉE DE LA CIVILISATION

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Musée de la Civilisation as at March 31, 2002 and the statements of income, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Musée management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present, in all material respects, the Musée's financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, given the retroactive application of the change in recording charges related to vacation time and sick leave disclosed in Note 3, in my opinion these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, June 13, 2002

MUSÉE DU QUÉBEC
(R.S.Q., c. M-44)

INCOME
for the year ended March 31, 2002

	2002					2001
	General Fund	Commercial Activities Fund	Fixed Assets Fund	Endowment Fund	Total	Total (Note 4)
REVENUE						
Gouvernement du Québec subsidies (Note 5)	$8 339 795		$4 001 711		$12 341 506	$16 119 824
Gains on dispute settlement (Note 6)	4 214 242				4 214 242	
Government of Canada subsidies (Note 7)	182 312				182 312	694 395
Admission fees	340 992				340 992	366 429
Gift shop		$396 711			396 711	372 983
Publications		91 341			91 341	35 454
Space rental		367 345			367 345	368 697
Ancillary services	89 171	127 583			216 754	178 329
Sponsorships	422 725				422 725	293 736
Contribution – Fondation du Musée du Québec (Note 9)	520 000				520 000	175 000
Contribution – Amis du Musée du Québec (Note 10)						100 000
Works of art and exhibitions on loan	224 324				224 324	95 574
Partnerships	200 021				200 021	75 000
Donations	7 381				7 381	1 004 925
Investment income (Note 11)	112 734	14 905			127 639	136 930
Other	156 958				156 958	86 196
	14 810 655	997 885	4 001 711		19 810 251	20 103 472
EXPENDITURE						
Salaries and fringe benefits	6 058 004	195 456			6 253 460	6 043 425
Professional, administrative and other services	2 954 960	202 986			3 157 946	2 985 863
Transportation and communications	1 777 589	2 610			1 780 199	1 078 230
Materials and supplies	936 294	179 721			1 116 015	1 166 281
Acquisition of works of art (Note 12)	2 342 960				2 342 960	3 037 690
Exhibitions on loan	51 850				51 850	100 595
Rental of equipment and space	295 929	245			296 174	210 270
Municipal and school taxes	166 800				166 800	1 205 320
Amounts carried forward	$14 584 386	$581 018			$15 165 404	$15 827 674

MUSÉE DU QUÉBEC

INCOME (cont'd)
for the year ended March 31, 2002

	2002					2001
	General Fund	Commercial Activities Fund	Fixed Assets Fund	Endowment Fund	Total	Total (Note 4)
Amounts carried forward	$14 584 386	$581 018			$15 165 404	$15 827 674
Interest on long-term debt			$2 407 262		2 407 262	2 549 261
Amortization of deferred expenses			99 317		99 317	98 290
Depreciation of fixed assets			1 515 095		1 515 095	1 585 923
Other	50 616	660			51 276	43 981
	14 635 002	581 678	4 021 674		19 238 354	20 105 129
EXCESS (DEFICIENCY) REVENUE OVER EXPENDITURE	$175 653	$416 207	$(19 963)		$571 897	$(1 657)

CHANGES IN FUND BALANCES
for the year ended March 31, 2002

	2002					2001
	General Fund	Commercial Activities Fund	Fixed Assets Fund	Endowment Fund	Total	Total (Note 4)
OPENING FUND BALANCES	$97 403	$400 000	$1 496 466	$1 043 716	$3 037 585	$3 039 242
Excess (deficiency) revenue over expenditure	175 653	416 207	(19 963)		571 897	(1 657)
Interfund transfers (Note 13)	416 207	(416 207)				
CLOSING FUND BALANCES	$689 263	$400 000	$1 476 503	$1 043 716	$3 609 482	$3 037 585

MUSÉE DU QUÉBEC

BALANCE SHEET
as at March 31, 2002

	2002					2001
	General Fund	Commercial Activities Fund	Fixed Assets Fund	Endowment Fund	Total	Total (Note 4)
ASSETS						
Current assets						
Cash on hand, 1.85%	$3 193 192	$607 398	$825	$101 296	$3 902 711	$657 304
Accounts receivable and accrued interest (Note 14)	761 202	8 891		8 080	778 173	572 483
Interfund receivables, interest-free and no repayment terms	511 638					
Subsidies receivable						
Gouvernement du Québec (Note 15)	505 000		2 949 983		3 454 983	5 133 904
Government of Canada						520 500
Inventory		190 941			190 941	176 363
Prepaid expenses	165 551				165 551	387 507
	5 136 583	807 230	2 950 808	109 376	8 492 359	7 448 061
Investments (Note 16)				970 051	970 051	935 505
Deferred expenses			21 508		21 508	109 320
Gouvernement du Québec subsidies receivable (Note 15)			27 227 615		27 227 615	28 166 805
Fixed assets (Note 17)			31 758 177		31 758 177	32 839 953
	$5 136 583	$807 230	$61 958 108	$1 079 427	$68 469 710	$69 499 644

On behalf of the Board of Directors,
Lyne-Sylvie Perron
Paule Leduc

MUSÉE DU QUÉBEC

BALANCE SHEET
as at March 31, 2002

	2002					2001
	General Fund	Commercial Activities Fund	Fixed Assets Fund	Endowment Fund	Total	Total (Note 4)
LIABILITIES						
Current liabilities						
Bank overdraft						$20 986
Bank loans (Note 18)			$899 000		$899 000	406 000
Accounts payable and accruals	$1 993 768	$3 058			1 996 826	1 226 585
Provision for vacation time	492 694				492 694	466 642
Interfund receivables, interest-free and no repayment terms		404 172	71 755	$35 711		
Accrued interest			1 172 885		1 172 885	1 257 477
Deferred contributions (Note 19)	902 901				902 901	1 184 525
Instalment on long-term debt (Note 20)			1 759 496		1 759 496	1 776 485
	3 389 363	407 230	3 903 136	35 711	7 223 802	6 338 700
Provision for sick leave (Note 22)	893 122				893 122	903 157
Deferred investment income	164 835				164 835	119 595
Deferred contributions (Note 19)			31 700 354		31 700 354	32 474 501
Long-term debt (Note 20)			24 878 115		24 878 115	26 626 106
	4 447 320	407 230	60 481 605	35 711	64 860 228	66 462 059
FUND BALANCES						
Fixed asset investments			1 476 503		1 476 503	1 496 466
External restrictions				1 043 716	1 043 716	1 443 716
Non-appropriated funds	689 263	400 000			1 089 263	97 403
	689 263	400 000	1 476 503	1 043 716	3 609 482	3 037 585
	$5 136 583	$807 230	$61 958 108	$1 079 427	$68 469 710	$69 499 644

MUSÉE DU QUÉBEC

CASH FLOWS
for the year ended March 31, 2002

	2002					2001
	General Fund	Commercial Activities Fund	Fixed Assets Fund	Endowment Fund	Total	Total (Note 4)
OPERATING ACTIVITIES						
Excess (deficiency) of revenue over expenditure	$175 653	$416 207	$(19 963)		$571 897	$(1 657)
Items not affecting liquid assets						
Amortization of deferred expenses			99 317		99 317	98 290
Depreciation of fixed assets			1 515 095		1 515 095	1 585 923
Amortization of deferred contributions – long term			(1 594 451)		(1 594 451)	(1 660 102)
	175 653	416 207	(2)		591 858	22 454
Change in non-cash items related to operations						
Accounts receivable and accrued interest	(205 523)	(357)		$190	(205 690)	(54 823)
Subsidies receivable	2 105 500		82 414		2 187 914	(324 341)
Inventory		(14 578)			(14 578)	(59 103)
Prepaid expenses	221 956				221 956	14 841
Accounts payable and accruals	767 183	3 058			770 241	(26 864)
Provision for vacation time	26 052				26 052	(200)
Accrued interest			(84 592)		(84 592)	(1 054)
Deferred contributions - short term	(281 624)				(281 624)	283 416
Deferred investment income	45 240				45 240	87 593
Provision for sick leave	(10 035)				(10 035)	33 461
	2 668 749	(11 877)	(2 178)	190	2 654 884	(47 074)
Cash flows provided by (used for) operating activities	2 844 402	404 330	(2 180)	190	3 246 742	(24 620)
INVESTMENT ACTIVITIES						
Acquisition of investments				(34 546)	(34 546)	(64 130)
Acquisitions of fixed assets			(433 319)		(433 319)	(493 833)
Cash flows used for investment activities			(433 319)	(34 546)	(467 865)	(557 963)
Amounts carried forward	$2 844 402	$404 330	$(435 499)	$(34 356)	$2 778 877	$(582 583)

MUSÉE DU QUÉBEC

CASH FLOWS (cont'd)
for the year ended March 31, 2002

	2002					2001
	General Fund	Commercial Activities Fund	Fixed Assets Fund	Endowment Fund	Total	Total (Note 4)
Amounts brought forward	$2 844 402	$404 330	$(435 499)	$(34 356)	$2 778 877	$(582 583)
FINANCING ACTIVITIES						
Gouvernement du Québec subsidies received			1 759 496		1 759 496	1 776 485
Bank loans			493 000		493 000	325 000
Deferred expenses			11 505		11 505	
Repayment of long-term debt			(1 776 485)		(1 776 485)	(1 776 486)
Cash flows provided by financing activities			487 516		487 516	324 999
INCREASE (DECREASE) IN CASH	2 844 402	404 330	52 017	(34 356)	3 266 393	(257 584)
CASH, BEGINNING OF YEAR	(20 986)	481 315	835	175 154	636 318	893 902
Interfund cash flow	369 776	(278 247)	(52 027)	(39 502)		
(DEFICIENCY) CASH, END OF YEAR	$3 193 192	$607 398	$825	$101 296	$3 902 711	$636 318

In the Musée's books, "cash" means cash minus the bank overdraft.

MUSÉE DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

A legal person within the meaning of the Civil Code, the Musée du Québec was established under the National Museums Act (R.S.Q., c. M-44) to contribute to Québec's cultural development by making known, promoting and preserving Québec art of all periods, from ancient art to contemporary art, and by ensuring a place for international art through acquisitions, exhibitions and other cultural activities.

The Musée du Québec was recognized as a charitable organization within the meaning of the Income Tax Act and, as a result, is eligible for the tax exemption applicable to such organizations.

2. FUND OBJECTIVES

The Operating Fund presents the Musée's current operations.

The Commercial Activities Fund presents the Musée's commercial activities such as operation of the bookstore-giftshop, publishing and parking and space rental. Under a regulation approved by the Government in January 1999, the balance of this Fund, which must be used to fund the Musée's commercial activities, may not exceed $400 000. The Fund's balance must be used to repay loans or finance Musée activities.

The Fixed Assets Fund presents the assets, liabilities, products and charges related to fixed assets. That portion of the Fund's balance that is not invested in fixed assets is reserved for the acquisition of fixed assets for the Musée and the payment of related fees. Moreover, the Musée may not, without the Government's prior authorization, acquire, dispose of, mortgage or rent an immovable.

The Endowment Fund presents the resources received in the form of endowments. Under a regulation approved by the Government, only investment income from the resources of this Fund may be used for fixed assets and the acquisition of works of art for the Musée collection.

3. ACCOUNTING POLICIES

The financial statements of the Musée were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Contributions

The Musée uses the deferral method for recording contributions. The contributions made are posted as proceeds for the fiscal year in which the related charges are incurred. Unappropriated contributions are posted as products when they are received or receivable, if the amount receivable can be reasonably estimated and if it is reasonably certain that it will be received.

Endowments

Endowments are recorded as a direct increase in the Endowment Fund's balance, whereas the investment income earned by this Fund is entered as deferred investment income in the Operating Fund and recorded as proceeds from the appropriate fund in the fiscal year in which the related charged are incurred.

Works of art

Acquisitions of works of art are charged to expenditure of the General Fund. Donated works are not recorded in the financial statements.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined according to the first in, first out (FIFO) method.

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

3. ACCOUNTING POLICIES (cont'd)

Investments

Portfolio investments are recorded at cost. Any lasting drop in value is reduced by the investments' book value, where applicable.

Deferred expenses

Discounts and issue expenses on the long-term debt are deferred and amortized over the term of the debt. Discounts are amortized using the effective interest method to reflect the difference between the effective rate and the nominal rate of the debt. Issue expenses are amortized using the straight-line method.

Fixed assets

Fixed assets are recorded at cost or, if acquired free of charge, at the municipal assessment on the date of acquisition. They are depreciated over their estimated service lives on a diminishing-balance basis, at the following rates:

Buildings	4%
Building development	10%
Equipment	
Musée	20%
Restaurant	20%
Audiovisual	20%
Office	20%
Data processing	30%
Automotive equipment	30%

Contributions in the form of services

The Ministère de la Culture et des Communications provides the Musée with art restoration services free of charge. These services are not shown in the financial statements.

Pension plans

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the Musée lacks sufficient information to apply the accounting procedure for defined-benefit plans.

4. CHANGE IN ACCOUNTING POLICIES

As of the current fiscal year, expenses related to vacation time and sick leave accumulated by Musée employees are posted to operations for the fiscal year in which the employees rendered the services entitling them to these holidays. Previously, these charges ware entered on the books when used by the employees.

The Gouvernement du Québec granted a specific subsidy of $1410 000 to finance charges related to Musée employees' vacation time and sick leave.

The retroactive application of these changes did not affect assets but did increased the following financial statement items:

	2002	2001
Income		
Gouvernement du Québec subsidy	$16 017	$33 261
Salaries and fringe benefits	16 017	33 261

4. CHANGE IN ACCOUNTING POLICIES (cont'd)

	2002	2001
Balance sheet		
Gouvernement du Québec subsidy receivable		$1 410 000
Deferred contributions	$24 184	40 201
Provision for vacation time	492 694	466 642
Provision for sick leave	893 122	903 157

5. GOUVERNEMENT DU QUÉBEC SUBSIDIES

	2002			2001
	General Fund	Fixed Assets Fund	Total	Total
Operating expenses	$6 105 105		$6 105 105	$10 535 461
Specific projects *	2 234 690		2 234 690	1 375 000
Interest on long-term debt		$2 407 260	2 407 260	2 549 261
Amortization of deferred Gouvernement du Québec subsidies		1 594 451	1 594 451	1 660 102
	$8 339 795	$4 001 711	$12 341 506	$16 119 824

* These projects are linked to the Musée's different exhibitions and to the acquisition of works of art.

6. GAIN ON DISPUTE SETTLEMENT

Under a Commission municipale de Québec decision, the method used to calculate the municipal and school taxes applicable to the Musée was changed retroactive to the 1998 calendar year. As a result, the Gouvernement du Québec subsidy was decreased by $5 024 811.

The gain resulting from the dispute settlement breaks down as follows:

Change in taxation method	$4 224 069
Interest income	815 489
	5 039 558
Less	
Legal costs	(32 072)
Reduction in taxes for fiscal year	(793 244)
Gain on dispute settlement	$4 214 242

7. GENERAL FUND - GOVERNMENT OF CANADA SUBSIDIES

	2002	2001
Department of Heritage Canada	$53 412	$579 395
Canada Council	128 900	115 000
	$182 312	$694 395

8. NON-MONETARY TRANSACTIONS

The Musée exchanges goods and services with certain suppliers. These non-monetary transactions are posted to the following items in the statement of income at the fair value of the goods and services exchanged:

	2002	2001
General Fund		
Revenue		
Sponsorships	$236 125	$155 736
Expenditure		
Transportation and communications	227 815	155 736
Rental of equipment and space	8 310	
Commercial Activities Fund		
Revenue		
Space rental	114 700	151 148
Expenditure		
Professional, administrative and other services	114 700	151 148

9. GENERAL FUND - CONTRIBUTION - FONDATION DU MUSÉE DU QUÉBEC

The Fondation du Musée du Québec, which is subject to significant influence by the Musée, was established under Part III of the Companies Act. Its function is to promote culture and the arts and organize fundraising campaigns in order to finance the Musée du Québec's activities. To help the Fondation fulfil its mandate, the Musée provides it with some office space and staff required for its smooth operation. Should the Fondation wind down, the full balance of funds would be remitted to the Musée. Fund balances as at March 31, 2002 amounted to $102 628 (2001: $116 822). During the fiscal year, the Fondation contributed pour $520 000 (2001: $175 000) for the acquisition of works of art.

10. GENERAL FUND - CONTRIBUTION - AMIS DU MUSÉE DU QUÉBEC

The Amis du Musée du Québec began operations on September 2, 1982. The purpose of this organization is to promote the interests of the Musée du Québec and interest the public in the arts in general. The Musée du Québec has no control over or notable influence on this organization.

11. INVESTMENT INCOME

	2002	2001
Revenue from unappropriated resources	$127 639	$136 930
Revenue from resources held as allocations	45 240	87 593
Total investment income earned during the fiscal year	172 879	224 523
Minus deferred amounts		
Appropriated to immovables and acquisition of works of art for the Musée du Québec collection	(45 240)	(87 593)
Total investment income accounted for as proceeds	$127 639	$136 930

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

12. GENERAL FUND - WORKS OF ARTS

Works owned by the Musée du Québec are divided between the permanent collection and the collection of works for loan.

The permanent collection contains paintings, sculpture, illustrations, prints and photographs as well as decorative arts and design. This collection focuses on Québec art from all periods, from ancient to contemporary art.

The collection of works for loan was established by the Ministère des Affaires culturelles in 1982 as a measure to stimulate artistic creation in Québec through the acquisition of works by young artists. This collection, which contains the same type of works as the permanent collection, is intended for show primarily in public buildings of the Gouvernement du Québec and in Québec delegations abroad.

The cumulative cost of works of art acquired since the Musée du Québec was established on May 16, 1984 breaks down as follows:

	2002			2001
	Permanent collection	Collection for loan	Total	Total
Opening balance	$8 560 410	$2 814 495	$11 374 905	$8 337 215
Purchases	2 159 760	183 200	2 342 960	3 037 690
Closing balance	$10 720 170	$2 997 695	$13 717 865	$11 374 905

The Musée gives receipts for donated works, the value of which is certified by the Canadian Cultural Property Export Review Board. The cumulative value of donated works breaks down as follows:

	2002	2001
Opening balance	$18 248 851	$16 036 256
Receipts issued	1 398 773	2 212 595
Closing balance	$19 647 624	$18 248 851

13. INTERFUND TRANSFERS

Under a regulation approved by the Government in January 1999, $416 207, representing the portion of the Commercial Activities Fund balance exceeding $400 000, was transferred to the Operating Fund to finance disbursements related to repaying Musée borrowings or activities.

14. ACCOUNTS RECEIVABLE AND ACCRUED INTEREST

	2002	2001
Fondation du Musée du Québec	$370 738	$54 123
Accrued interest	15 294	17 022
Taxes receivable	174 908	205 054
Other accounts	217 233	296 284
	$778 173	$572 483

15. FIXED ASSETS FUND - GOUVERNEMENT DU QUÉBEC SUBSIDIES RECEIVABLE

Gouvernement du Québec subsidies receivable entered as current assets correspond to interest accrued on the long-term debt and to payments of principal on the long-term debt to be made during the coming fiscal year.

Those entered as deferred subsidies represent the total Gouvernement du Québec commitments related to the acquisition and maintenance of fixed assets less payments of principal on the long-term debt already made or to be made during the coming fiscal year.

16. INVESTMENTS

	2002	2001
Canadian treasury bills (effective rate of 0.55% to 6.76%), maturing between May 15 and June 20, 2002, (market value: $76 639)	$76 558	$57 223
Bonds, 5.50% to 8.80% (effective rate of 5.67% to 7.98%), maturing over the next ten fiscal years, (market value: $385 549)	387 243	386 823
Bonds, 6.25% to 10.25% (effective rate of 6.37% to 7.59%), maturing between the eleventh and twelfth years following the fiscal year, (market value: $60 886)	60 725	39 275
Bonds, 5.75% to 8% (effective rate of 5.64% to 7.56% maturing after the twentieth year following the fiscal year, (market value: $17 735)	18 507	11 187
Stock (market value: $474 835)	427 018	440 997
	$970 051	$935 505

17. FIXED ASSETS FUND – FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net	Net
Land (a)	$1 210 250		$1 210 250	$1 210 250
Buildings (a)	48 375 638	$19 152 156	29 223 482	30 437 289
Building development	351 892	29 015	322 877	114 204
Equipment				
Musée	768 828	399 990	368 838	347 863
Restaurant	35 211	20 879	14 332	16 034
Audiovisual	140 585	72 497	68 088	83 598
Office	141 815	43 874	97 941	61 583
Data processing	1 359 354	911 407	447 947	562 815
Automotive equipment	15 167	10 745	4 422	6 317
	$52 398 740	$20 640 563	$31 758 177	$32 839 953

(a) The Musée acquired these buildings from the Gouvernement du Québec in 1985 and 1988 for the price of $1 each. They were recorded according to the municipal assessment for these years. Subsequently, the Government authorized various expansion projects and major repairs.

18. BANK BORROWINGS

Operating Fund

The Gouvernement du Québec authorized the Musée, by Order-in-Council to contract a credit line not to exceed $1 500 000 for its operations and another not to exceed $175 000 for two permanent exhibitions. At March 31, 2002, the Musée had not contracted these borrowings.

Fixed Assets Fund

The Gouvernement du Québec authorized the Musée to contract the following borrowings for fixed assets maintenance:

	2002	2001
Credit line payable on demand, authorized by Order-in-Council for a maximum of $822 800 bearing interest at the prime rate, contracted August 1, 2001, maturing July 31, 2002	$633 000	$378 000
Credit line payable on demand, authorized by Order-in-Council for a maximum of $705 200 bearing interest at the prime rate, contracted August 1, 2001, maturing July 31, 2002	266 000	28 000
	$899 000	$406 000

The maximum amount authorized by the Gouvernement du Québec for bank borrowings for fixed assets maintenance totalled $2 336 800 (2001: $1 528 000)

19. DEFERRED CONTRIBUTIONS

Operating Fund

The deferred contributions presented in the Operating Fund relate to amounts received during the fiscal year in question and intended to cover the operating expenses of certain exhibitions beginning or extending into the following fiscal year. Changes in the Operating Fund balance under deferred contributions are as follows:

	2002	2001
Opening balance	$1 184 525	$901 109
Less the amount recorded as proceeds for the fiscal year	(839 177)	(978 457)
Plus the amount received for subsequent fiscal years	557 553	1 261 873
Closing balance	$902 901	$1 184 525
Breaking down as follows:		
Gouvernement du Québec	$684 494	$865 201
Gouvernement du Canada	34 560	85 246
Other deferred income	183 847	234 078
	$902 901	$1 184 525

19. DEFERRED CONTRIBUTIONS (cont'd)

Fixed Assets Fund

The deferred contributions presented in the Fixed Assets Fund relate to Gouvernement du Québec commitments for fixed assets and their maintenance. Changes in the Fixed Assets Fund balance for the fiscal year are as follows:

	2002	2001
Opening balance	$32 474 501	$33 429 403
Gouvernement du Québec commitment	808 800	705 200
Long-term debt issue costs	11 504	
Amortization of deferred contributions	(1 594 451)	(1 660 102)
Closing balance	$31 700 354	$32 474 501

20. FIXED ASSETS FUND – LONG-TERM DEBT

	2002	2001
Borrowing on a note from the Financing Fund of the Gouvernement du Québec, 9.25% (effective rate of 9.54%), Guaranteed by the Gouvernement du Québec, repayable in annual instalments of $1 419 140, maturing in April 2002 *	$22 706 240	$24 125 380
Borrowing on a note from the Financing Fund of the Gouvernement du Québec, 5.825%, guaranteed by the Gouvernement du Québec, repayable in annual instalments of $164 416 on the principal of the borrowing, maturing in December 2010	1 644 151	1 814 051
Borrowing on a note from the Financing Fund of the Gouvernement du Québec, 6.85%, guaranteed by the Gouvernement du Québec, repayable in annual instalments of $175 940 on the principal of the borrowing, maturing in October 2007	2 287 220	2 463 160
	26 637 611	28 402 591
Instalments due within one year	1 759 496	1 776 485
	$24 878 115	$26 626 106

Principal payments on these borrowings are made annually out of subsidies provided for this purpose by the Gouvernement du Québec.

* This debt was refinanced in April 2002.

Payments of principal on the long-term debt for the next five fiscal years are as follows:

2003	$1 759 496
2004	1 770 940
2005	1 770 940
2006	1 770 940
2007	1 770 940

21. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements, the Musée is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Musée did not conclude any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

18. FUTURE FRINGE BENEFITS

Pension plans

The staff members of the Musée du Québec participate in the Government and Public Employees Retirement Plan (RREGOP), the Pension Plan of Management Personnel (PPMP) or the Civil Service Superannuation Plan (CSSP). These are interenterprise defined-benefit plans and include guaranteed payments upon retirement and death.

The Musée's contributions charged to the year-end statement amount to $168 563 (2001: $137 579) for the General Fund and $4 031 (2001: $3 858) for the Commercial Activities Fund. The Musée's liability towards these Government plans is restricted to its contributions as an employer.

Provision for sick leave

	2002	2001
Opening balance	$903 157	$869 696
Charge for the year	46 167	91 381
Benefits paid during the year	(56 202)	(57 920)
Closing balance	$893 122	$903 157

23. COMPARATIVE FIGURES

Certain 2001 figures were reclassified for consistency with the presentation adopted in 2002.

MUSÉE DU QUÉBEC

MANAGEMENT'S REPORT

The financial statements of the Musée du Québec were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements. Management carries out audits periodically to ensure that the internal controls applied regularly by the Musée are appropriate and consistent.

The Musée recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors must oversee the manner in which management performs its financial reporting duties, and has approved the financial statements. It is assisted by the finance and human resources committee, whose members are not management. This committee meets with management and the auditor, examines the financial statements and recommends their approval to the board of directors.

The Auditor General of Québec has audited the Musée's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the board of directors to discuss any matter related to the audit.

John R. Porter
Executive Director

Marc Delaunay
Director, Administration and Communications

Québec, June 7, 2002

MUSÉE DU QUÉBEC

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Musée du Québec as at March 31, 2002 and the statements of income, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of Musée management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, with the exception of the effects, indicated in the preceding paragraph, of the improper recording of the charges related to the sick leave and vacation time of Musée employees, these financial statements present fairly, in all material respects, the Musée's financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, given the retroactive application of the change in accounting policies to the recording of charges related to employee vacation time and sick leave, disclosed in Note 4, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, June 7, 2002

OFFICE DE LA SÉCURITÉ DU REVENU DES CHASSEURS ET PIÉGEURS CRIS
(R.S.Q., c. S-3.2)

OPERATIONS AND SURPLUS
for the year ended June 30, 2001

	2001	2000
REVENUE		
Contribution from gouvernement du Québec	$16 551 675	$16 488 728
Interests	6 359	5 330
	16 558 034	16 494 058
EXPENDITURE		
Income security benefits	15 483 375	15 474 428
Administrative expenditure		
Salaries and fringe benefits	836 198	806 889
Travel	107 997	102 937
Rent	70 599	66 131
Fees	2 299	1 650
Supplies and equipment	23 825	27 571
Telephone and communications	16 419	12 004
	1 057 337	1 017 182
	16 540 712	16 491 610
EXCESS OF REVENUE OVER EXPENDITURE	17 322	2 448
SURPLUS, BEGINNING OF YEAR	54 794	52 346
SURPLUS, END OF YEAR	$72 116	$54 794

OFFICE DE LA SÉCURITÉ DU REVENU DES CHASSEURS ET PIÉGEURS CRIS

BALANCE SHEET
as at June 30, 2001

	2001	2000
ASSETS		
Current assets		
Cash (Note 4)	$69 115	$97 660
Term deposit (3.1%)	40 000	
Accounts receivable	707	21 271
	$109 822	$118 931
LIABILITIES		
Current liabilities		
Accounts payable	$37 706	$64 137
SURPLUS	72 116	54 794
	$109 822	$118 931

On behalf of l'Office de la sécurité du revenu
des chasseurs et piégeurs cris,
Gérald Lemoyne
George Wapachee

OFFICE DE LA SÉCURITÉ DU REVENU DES CHASSEURS ET PIÉGEURS CRIS

NOTES TO FINANCIAL STATEMENTS
June 30, 2001

1. CONSTITUTION, FUNCTION AND FINANCING

The Cree Hunters and Trappers Income Security Board, created under the Act respecting income security for Cree hunters and trappers who are beneficiaries under the Agreement concerning James Bay and Northern Quebec (R.S.Q., chapter S-3.2), is responsible for the administration of the income security program established by this Act for the purpose of providing the trappers and hunters a guaranteed income; this program also includes other measures aimed at encouraging beneficiaries to carry out harvesting activities as a way of life.

Benefits are paid to beneficiary units which are eligible depending, among other conditions, on the time spent in hunting, fishing and trapping and in carrying out related activities.

The sums required for the carrying out of the aforementioned Act are paid out of the monies voted each year for such purpose by Parliament.

2. ACCOUNTING POLICIES

The financial statements of the Board have been prepared by Management according to the accounting policies disclosed below. These statements include amounts based on best judgements and estimates. The statement of changes in financial position is not presented, since it would produce no further information useful to the comprehension of the year's cash and cash equivalent transactions.

Benefits and administrative expenditure

Income security benefits are recorded in the books of account in accordance with the cash basis of accounting; administrative expenditure are recorded in accordance with the accrual basis of accounting.

Purchases of capital assets are charged to administrative expenditure.

Administrative expenditure assumed by the gouvernement du Québec

The cost of certain supporting services assumed by the gouvernement du Québec is not included in the statement of operations and surplus.

Pension Plan

Defined contribution plan accounting is applied to a governmental multiemployer defined benefit plan for which the Board has insufficient information to apply defined benefit plan accounting.

3. PENSION PLAN

Board employees participate in the Government and Public Employees Retirement Plan (GPERP). It is a multiemployer defined benefit plan and contain guarantees upon retirement or death.

Contributions paid by the Board are charged to year's operations and total $17 543 (2000: $19 494). Obligations of the Board toward this government plan are limited to its contributions as an employer.

Up until December 31, 1999, the employer's level of contribution for regular service under the GRERP equaled 5.22% of the admissible salary of participants who could be unionized (5.02% for participants who cannot be unionized). Subsequent to certain modifications to the plan, as of January 1, 2000, the employer's level of contribution for regular service equals 3.51% of the admissible salary of participants who could be unionized (0.79% for participants who cannot be unionized).

NOTES TO FINANCIAL STATEMENTS (cont'd)
June 30, 2001

4. CASH

Cash includes an amount of $30 000 held in a trust account and allocated by resolution of the members of the Board, for payment of benefits including among other things, advance payments and emergency payments where the usual process to issue a check would present an excessive delay for the beneficiary.

5. RELATED PARTY TRANSACTIONS

In addition to the related party transactions already disclosed in the financial statements measured at the exchange amount, the Board is related to all the departments and special funds as to agencies and enterprises controlled directly or indirectly by the gouvernement du Québec or under either joint control or significant common influence by the gouvernement du Québec. The Board has not conducted any business transactions with related parties other than in the normal course of operations and at usual business conditions. These transactions are not separately disclosed in the financial statements.

MANAGEMENT'S REPORT

The financial statements of the Cree Hunters and Trappers Income Security Board have been drawn-up by management, which has the responsibility for their preparation and their presentation, including responsibility for their preparation and their presentation, including responsibility for significant accounting judgments and estimates. This responsibility includes the choice of accounting policies and methods that are appropriate, disclosed in Note 2 of the financial statements. Financial information included elsewhere in the annual report agrees with information presented in the financial statements.

Towards meeting its responsibilities, management maintains a system of internal accounting controls, designed to provide reasonable assurance that property is safeguarded and that transactions are correctly and promptly recorded, that they are duly approved and permit the production of reliable financial statements.

The board acknowledges its responsibility to manage its operations in compliance with those laws and regulations to which it is subject.

The Auditor General of Québec has conducted an audit of the financial statements of the Board, in accordance with Canadian generally accepted auditing standards and his auditor's report discloses the nature and the scope of this audit and the opinion expressed.

On behalf of l'Office de la sécurité
du revenu des chasseurs et piégeurs cris,
George Wapachee

Québec, September 12, 2001

OFFICE DE LA SÉCURITÉ DU REVENU DES CHASSEURS ET PIÉGEURS CRIS

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Cree Hunters and Trappers Income Security Board as at June 30, 2001 and the statement of operations and surplus for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at June 30, 2001 and the results of its operations and its cash flows for the year then ended in accordance with the accounting policies disclosed in Note 2. As required by the Auditor General Act (R.S.Q., chapter V-5.01), I report that, in my opinion, these policies have been applied on a basis consistent with that of the preceding year.

The Auditor General of Québec,
Guy Breton, F.C.A.

Québec, September 12, 2001

OFFICE DES PROFESSIONS DU QUÉBEC
(R.S.Q., c. C-26)

REVENUE AND EXPENDITURE AND DEFICIT
for the year ended March 31, 2002

	2002	2001
REVENUE		
Contributions from members of professional Corporations	$4 553 797	$4 333 667
Interest on bank deposits	33 636	64 387
Fees for managing the Ordre des sages-femmes du Québec Fund (Note 6)	10 427	14 395
Other	24 408	33 532
	4 622 268	4 445 981
EXPENDITURE		
Administrative expenses		
Salaries and fringe benefits	2 994 855	2 917 676
Transportation and communications	136 164	78 745
Professional and administrative services	613 028	513 974
Rent and maintenance	264 859	289 603
Materials and supplies	84 200	81 228
Interest on advances from the Consolidated Revenue Fund	10 146	1 445
Depreciation of fixed assets	83 539	78 051
Amortization of cost of computer systems development	40 363	33 858
	4 227 154	3 994 580
Fees and reimbursements (Note 3)	1 285 516	1 193 127
	5 512 670	5 187 707
EXCESS EXPENDITURE OVER REVENUE	890 402	741 726
DEFICIT, BEGINNING OF YEAR	870 731	129 005
DEFICIT, END OF YEAR	$1 761 133	$870 731

OFFICE DES PROFESSIONS DU QUÉBEC

BALANCE SHEET
as at March 31, 2002

	2002	2001
ASSETS		
Current assets		
Cash on hand	$117 174	$96 196
Accounts receivable	271 467	320 646
	388 641	416 842
Fixed assets (Note 4)	181 593	143 773
Cost of computer systems development (Note 5)	115 415	106 134
	$685 649	$666 749
LIABILITIES		
Current liabilities		
Accounts payable and accruals	$320 063	$325 922
Sum owing to the Ordre des sages-femmes du Québec (Note 6)	145 000	210 000
Owing to the Consolidated Revenue Fund (Note 7)	1 350 000	400 000
	1 815 063	935 922
Provision for sick leave and vacation time (Note 10)	318 831	199 848
Sums owing to the Ordre des sages-femmes du Québec (Note 6)	312 888	401 710
	2 446 782	1 537 480
DEFICIT	1 761 133	870 731
	$685 649	$666 749

On behalf of the Office des professions du Québec,
Jean-K. Samson

OFFICE DES PROFESSIONS DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

The Office des professions du Québec was established by the Professional Code (R.S.Q., c. C-26) for the purpose of ensuring that all professional corporations protect the public.

The Office answers to the Minister responsible for administering the legislation governing these professions designated by the Government. Its operations are financed out of the dues paid by members of professional corporations. These dues are collected by the professional corporations, which then remit them to the Office.

2. ACCOUNTING POLICIES

The financial statements of the Office were prepared by management in accordance with accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements. The cash flow statement is not shown as it would not provide any useful supplementary information regarding the Office's cash flow during the year.

Fixed assets and cost of computer systems development

Fixed assets and computer systems development expenses are recorded at cost. They are depreciated over their estimated service lives on a straight-line basis at the following rates:

	Rates
Data processing equipment	33 1/3%
Telephone equipment	20%
Furniture	20%
Leasehold improvements	Duration of occupancy agreement
Cost of computer systems development	20%

Pension plans

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the Office lacks sufficient information to apply the accounting procedure for defined-benefit plans.

3. FEES AND REIMBURSEMENTS

In accordance with the Professional Code, the Office assumes the following expenses:

- Fees or allowances paid to the chairs of the disciplinary boards of professional corporations. The amount of these fees or allowances is set by the Government. Fees are paid after the board's decision has been transmitted to the corporation and received by the Office.
- Attendance allowances and the reimbursement of fees, within reason, incurred by the directors appointed by the Office to professional boards to represent the public.

These expenditures break down as follows:

	2002	2001
Chairs of disciplinary boards of professional corporations	$935 175	$860 721
Office-appointed directors	350 341	332 406
	$1 285 516	$1 193 127

OFFICE DES PROFESSIONS DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

4. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net	Net
Data processing equipment	$356 702	$255 086	$101 616	$72 539
Telephone equipment	29 307	22 696	6 611	11 571
Furniture	75 081	28 362	46 719	23 359
Leasehold improvements	59 876	33 229	26 647	36 304
	$520 966	$339 373	$181 593	$143 773

Acquisitions for the year amount to $121 359 (2001: $51 062). During the fiscal year, the Office sold fixed assets for proceeds of disposition of $4 251 (2001: $2 237) thereby generating a $4 251 (2001: $2 237) earning on disposition.

5. COST OF COMPUTER SYSTEMS DEVELOPMENT

	2002			2001
	Cost	Accumulated depreciation	Net	Net
Computer systems development	$242 057	$126 642	$115 415	$106 134

Acquisitions for the year amount to $49 644 (2001: $46 250).

6. SUM OWING TO THE ORDRE DES SAGES-FEMMES DU QUÉBEC

The sum owing to the Ordre des sages-femmes du Québec represents the balance of the fund managed by the Office des professions du Québec under the provisions of the Act respecting midwives (1999, chapter 24). This $1 000 000 fund originating from amounts reserved for funding pilot projects but not yet committed was created in order to allow the Ordre des sages-femmes du Québec to fulfil, during its first eight years of operations, all of its obligations under its incorporating legislation.

The Office must pay the Ordre des sages-femmes du Québec the sum established when the Fund was created, calculated by backward averaging.

The interest generated by the fund is reinvested in the Fund and management fees are paid to the Office from this interest.

Change in the Fund for the fiscal year ended March 31, 2002:

	2002	2001
Opening balance	$611 710	$828 246
Payments to the Ordre des sages-femmes du Québec	(160 000)	(240 000)
Interest generated	16 605	37 859
Management fees paid to the Office	(10 427)	(14 395)
Fund balance	$457 888	$611 710

6. SUM OWING TO THE ORDRE DES SAGES-FEMMES DU QUÉBEC (cont'd)

The sum owing breaks down as follows:

	2002	2001
Sum owing	$457 888	$611 710
Portion payable in the coming fiscal year	145 000	210 000
	$312 888	$401 710

The portion payable in the coming fiscal year is estimated using the estimates of the Ordre des sages-femmes du Québec.

7. SUM OWING TO THE CONSOLIDATED REVENUE FUND

Interest on advances from the Consolidated Revenue Fund is calculated at the National Bank of Canada's prime rate in effect for the duration of these advances.

8. CASH FLOWS

The Office paid $7 615 in interest during the fiscal year (2001: $0).

9. RELATED PARTY TRANSACTIONS

In addition to the transactions with the Consolidated Revenue Fund disclosed in its financial statements and recorded at exchange value, the Office is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Office did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

10. FUTURE FRINGE BENEFITS

Pension plans

The staff members of the Office participate in the Government and Public Employees Retirement Plan (RREGOP), in the Civil Service Superannuation Plan (CSSP) or in the Pension Plan of Management Personnel. These interenterprise plans are defined-benefit plans and include guaranteed payments upon retirement and death.

The Office's contributions charged to the year-end statement amount to $83 159 (2001: $64 710). The liability of the Office towards these Government plans is restricted to its contributions as an employer.

Provision for sick leave and vacation time

	2002	2001
Obligation for sick leave and vacation time	$851 598	$791 811
Transient unamortized obligation	(532 767)	(591 963)
	$318 831	$199 848
Charge for the year	$356 390	$384 432
Benefits paid during the year	$237 407	$209 150

OFFICE DES PROFESSIONS DU QUÉBEC

MANAGEMENT'S REPORT

The financial statements of the Office des professions du Québec were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Office des professions recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The Auditor General of Québec has audited the Office's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion.

Jean-K. Samson
President

Christian Rény
General Manager of Administration

Québec, May 3, 2002

AUDITOR'S REPORT

To The National Assembly

I have audited the balance sheet of the Office des professions du Québec as at March 31, 2002 and the statement of revenue and expenditure and deficit for the year then ended. These financial statements are the responsibility of the Office's management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Office's financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., chapter V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, May 3, 2002

OFFICE QUÉBEC-AMÉRIQUES POUR LA JEUNESSE
(S.Q.2000, c. 18)

REVENUE AND EXPENDITURE AND SURPLUS
for the year ended March 31, 2002

	2002	2001
REVENUS		
Gouvernement du Québec subsidies	$2 000 000	$1 400 000
Emploi-Québec subsidy	108 717	
Interest on bank deposits	33 049	37 426
Other		3 191
	2 141 766	1 440 617
EXPENDITURE (Note 12)		
Programs and development	1 494 249	803 837
Communications	238 955	177 383
Administration	351 434	296 390
	2 084 638	1 277 610
EXCESS REVENUE OVER EXPENDITURE	57 128	163 007
SURPLUS, BEGINNING OF YEAR	305 162	142 155
SURPLUS, END OF YEAR	$362 290	$305 162

OFFICE QUÉBEC-AMÉRIQUES POUR LA JEUNESSE

BALANCE SHEET
as at March 31, 2002

	2002	2001
ASSETS		
Current assets		
Cash on hand		$176 225
Short-term investments, at cost, 1.5% and 4%	$275 000	
Accounts receivable (Note 3)	90 407	33 207
Prepaid expenses	5 591	1 435
	370 998	210 867
Fixed assets (Note 4)	219 682	254 120
	$590 680	$464 987
LIABILITIES		
Current liabilities		
Bank overdraft (Note 5)	$9 279	
Accounts payable (Note 6)	219 111	$159 825
	228 390	159 825
SURPLUS	362 290	305 162
	$590 680	$464 987

COMMITMENTS (Note 7)

On behalf of the Board of Directors,
Gabriel Polisois, Director
Patrick Préfontaine, Director

OFFICE QUÉBEC-AMÉRIQUES POUR LA JEUNESSE

CASH FLOWS
for the year ended March 31, 2002

	2002	2001
OPERATING ACTIVITIES		
Excess revenue over expenditure	$57 128	$163 007
Items not affecting liquid assets:		
Depreciation of fixed assets	45 276	24 306
Loss on disposal of fixed assets	382	25 685
	102 786	212 998
Change in non-cash items linked to operations		
Increase in receivables	(34 682)	(4 441)
Increase in prepaid expenses	(4 156)	(795)
Increase in payables	59 286	119 322
	20 448	114 086
Cash flows provided by operating activities	123 234	327 084
INVESTMENT ACTIVITIES		
Cash flows used for investment activities:		
Acquisition of fixed assets	(33 738)	(259 649)
INCREASE IN CASH AND CASH EQUIVALENTS	89 496	67 435
CASH AND CASH EQUIVALENTS, BEGINING OF YEAR	176 225	108 790
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 8)	$265 721	$176 225

OFFICE QUÉBEC-AMÉRIQUES POUR LA JEUNESSE

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

The Office established under the Act respecting the Office Québec-Amériques pour la jeunesse, which came into effect on September 13, 2000 (S.Q. 2000, c. 18), replaces the Office Québec-Amériques pour la jeunesse incorporated on November 2, 1999 under Part III of the Companies Act (R.S.Q., c. C-38) acquiring the rights and assuming the obligations of the legal body dissolved.

The purpose of the Office is to develop relations between the youth of Québec and other American peoples, to increase the individual and group exchanges between them and to promote the development of cooperative networks

Under the Taxation Act (R.S.Q., c. I-3), the Office is not subject to income tax.

2. ACCOUNTING POLICIES

The financial statements of the Office were prepared by management in keeping with the accounting principles that are generally recognized in Canada. These statements include amounts based on best judgements and estimates.

Fixed assets

Fixed assets are recorded at cost and amortized over their service life according to the straight-line method using the following rates:

Office furniture and equipment	20%
Leasehold improvements	10%
Data processing equipment	20%

Program expenses

Program expenses are recorded when authorized and when the beneficiaries have met the eligibility criteria, where applicable.

Cash and cash equivalents

The Office's policy consists in presenting under cash and cash equivalents bank balances and short-term investments that are easily convertible in the short term and a known amount of cash whose value should not change significantly.

Pension plans

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the Office lacks sufficient information to apply the accounting procedure for defined-benefit plans.

3. ACCOUNTS RECEIVABLE

	2002	2001
Emploi-Québec	$48 717	
Sales tax	41 585	$22 116
Other	105	11 091
	$90 407	$33 207

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

4. FIXED ASSETS

	2002			2001
	Cost	Cumulated amortization	Net	Net
Office furniture and equipment	$75 581	$22 457	$53 124	$61 341
Leasehold improvements	118 082	20 434	97 648	121 435
Data processing equipment	94 711	25 801	68 910	71 344
	$288 374	$68 692	$219 682	$254 120

5. BANK OVERDRAFT

At March 31, 2002, the Office a credit margin of $200 000, renewable annually on June 30. The amounts used bear interest daily at the prime rate plus 0.75%.

The credit margin's opening amount will be adjusted based on the subsidies approved by the Gouvernement du Québec, and confirmed in writing, up to a maximum de 75% of the amount receivable or $200 000.

6. ACCOUNTS PAYABLE

	2002	2001
Ministère des Relations internationales	$117 531	$122 265
Suppliers	8 632	
Salaries and at-source deductions	92 948	37 560
	$219 111	$159 825

7. COMMITMENTS

The Office is committed under a long-term lease ending in fiscal 2006 for administrative offices. This lease includes a five-year renewal option.

The rental expenditures for the year ending March 31, 2002 total $57 702. Minimum future payments are as follows:

2003	$63 125
2004	63 125
2005	63 125
2006	31 563
	$220 938

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

8. CASH AND CASH EQUIVALENTS

	2002	2001
Cash on hand		$176 225
Short-term investments	$275 000	
Bank overdraft	(9 279)	
	$265 721	$176 225

9. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements, measured at exchange value, the Office is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Office did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

10. FUTURE FRINGE BENEFITS

Pension plans

The staff members of the Office participate in the Government and Public Employees Retirement Plan (RREGOP) or in the Pension Plan of Management Personnel. These are interenterprise defined-benefit plans and include guaranteed payments upon retirement and death.

The Office's contributions charged to the year-end statement amount to $14 032 (2001: $5 445). The liability of the Office towards these Government plans is restricted to its contributions as an employer.

Provision for sick leave

The Office reimburses days not used at March 31 every year in keeping with its regulation on the conditions of nomination, payment standards and pay scales. The charge for the fiscal year was $20 314 (2001: $6 092).

11. COMPARATIVE FIGURES

Certain 2001 figures were reclassified for consistency with the presentation adopted in 2002.

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

12. EXPENDITURES

	2002	2001
Programs		
Sending of Québec participants	$738 126	$379 524
Salaries and fringe benefits	449 773	345 236
Québec/New York 2001	25 842	853
Participation allowances – Emploi-Québec	39 020	
Support for Québec projects	36 550	650
Support for foreign projects	21 631	11 806
Training	8 069	
	1 319 011	738 069
Development		
Cost of travel outside Québec	59 083	24 703
Development missions – Emploi-Québec	59 813	
Cost of travel within Québec	17 598	15 148
Special advisor	18 707	
Information tour	6 718	10 290
Advisory committee expenses	1 358	1 152
Special events	3 812	3 302
Association membership fees	3 587	744
Promotional expenses	4 562	3 645
Program launching		6 784
	175 238	65 768
	1 494 249	803 837
Communications		
Salaries and fringe benefits	164 281	117 138
Graphics	20 417	15 507
Printing	17 026	19 101
Promotional material	5 283	3 296
Website	4 141	7 950
Advertising	7 371	3 033
Subscriptions and publications	6 286	4 400
Interpretation/translation	6 369	3 839
Mail-mailing file	5 183	3 119
Training	2 598	
	238 955	177 383
Amounts carried forward	$1 733 204	$981 220

OFFICE QUÉBEC-AMÉRIQUES POUR LA JEUNESSE

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

12. EXPENDITURES (cont'd)

	2002	2001
Amounts brought forward	$1 733 204	$981 220
Administration		
Salaries and fringe benefits	181 571	154 124
Rent	57 702	35 440
Telecommunications	23 361	18 420
Office supplies	13 204	15 243
Maintenance and repair	9 824	5 674
Mail and courier	6 248	3 899
Training	3 009	
Insurance (civil liability)	1 465	1 101
Managers' insurance	1 180	
Bank charges	2 102	1 133
Board of administration expenses	2 256	912
Customization of virtual management software	1 572	5 311
Photocopier	2 282	2 115
Moving expenses		3 027
Amortization of fixed assets	45 276	24 306
Loss on transfer of fixed assets	382	25 685
	351 434	296 390
	$2 084 638	$1 277 610

MANAGEMENT'S REPORT

The financial statements of the Office Québec-Amériques pour la jeunesse were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies and methods that comply with the accounting principles that are generally accepted in Canada.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Office recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors must oversee the manner in which management performs its financial reporting duties, and has approved the financial statements.

The Auditor General of Québec has audited the Office's financial statements in keeping with the auditing standards that are generally accepted in Canada. His report states the nature and scope of this audit and his opinion. The Auditor General may, without restriction, meet with the board of directors to discuss any matter related to the audit.

Lucie Latulippe
President and Chief Executive Officer

Québec, May 29, 2002

OFFICE QUÉBEC-AMÉRIQUES POUR LA JEUNESSE

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheets of the l'Office Québec-Amériques pour la jeunesse as at March 31, 2002, the statement of revenue, expenditure and surplus and the cash flow statement for the year then ended. These financial statements are the responsibility of the Office's management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Office's financial position as at March 31, 2002 and the results of the insurance funds' operations and cash flows for the year then ended, in accordance with accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, given the retroactive application of the change in accounting policies disclosed in Note 4, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, May 29, 2002

RÉGIE DE L'ASSURANCE-DÉPÔTS DU QUÉBEC
(R.S.Q., c. A-26)
DEPOSIT INSURANCE FUND

REVENUE AND EXPENDITURE AND CUMULATED NET INCOME
for the year ended December 31, 2001

	2001	2000
REVENUE		
Premiums	$15 331 716	$14 703 800
Investment income	11 102 181	11 064 773
Other	43 641	122 374
	26 477 538	25 890 947
EXPENDITURE		
Administrative expenses (Note 3)	847 812	817 883
NET INCOME	25 629 726	25 073 064
CUMULATED NET INCOME, BEGINNING OF YEAR	204 831 938	179 758 874
CUMULATED NET INCOME, END OF YEAR	$230 461 664	$204 831 938

RÉGIE DE L'ASSURANCE-DÉPÔTS DU QUÉBEC

DEPOSIT INSURANCE FUND

BALANCE SHEET
as at December 31, 2001

	2001	2000
ASSETS		
Cash on hand	$286	$7 010 956
Premiums receivable	18 923	
Funds entrusted to the Caisse de dépôt et placement du Québec (Note 4)	232 815 376	200 202 195
Claims related to repayment of guaranteed deposits (Note 5)	9 237	9 237
	$232 843 822	$207 222 388
LIABILITIES		
Accounts payable		
Administrative expenses	$694 673	$730 347
Taxes on premiums	687 485	660 103
	1 382 158	1 390 450
NET EQUITY		
Gouvernement du Québec contribution	1 000 000	1 000 000
Cumulated net income	230 461664	204 831 938
	231 461 664	205 831 938
	$232 843 822	$207 222 388

GUARANTEED DEPOSITS (Note 6)

On behalf of the Board of Directors,
Jean-Guy Turcotte
Jacques Dumont

RÉGIE DE L'ASSURANCE-DÉPÔTS DU QUÉBEC

DEPOSIT INSURANCE FUND

CASH FLOWS
for the year ended December 31, 2001

	2001	2000
OPERATING ACTIVITIES		
Net income	$25 629 726	$25 073 064
Change in non-cash elements related to operations		
Increase in premiums receivable	(18 923)	
(Decrease) increase in payables	(8 292)	72 347
Cash flows provided by operating activities	25 602 511	25 145 411
INVESTMENT ACTIVITIES		
Cash flows used for investment activities:		
Funds entrusted to the Caisse de dépôt et placement du Québec	(32 613 181)	(18 135 520)
(DECREASE) INCREASE IN CASH POSITION	(7 010 670)	7 009 891
CASH POSITION, BEGINNING OF YEAR	7 010 956	1 065
CASH POSITION, END OF YEAR	$286	$7 010 956

RÉGIE DE L'ASSURANCE-DÉPÔTS DU QUÉBEC

DEPOSIT INSURANCE FUND

NOTES TO FINANCIAL STATEMENTS
December 31, 2001

1. CONSTITUTION, PURPOSE AND FINANCING

The Régie de l'assurance-dépôts du Québec (RADQ) was established under the Deposit Insurance Act (R.S.Q., c. A-26) to:

- govern the soliciting and receiving of deposits of money from the public;
- guarantee to every person who makes a deposit of money with a registered institution the payment of the principal and interest of such deposits on their respective maturity dates, up to $60 000;
- manage a deposit insurance fund;
- administer a system of permits.

Under this Act:

- The Deposit Insurance Fund must be maintained for the purpose of discharging the RADQ's obligations under guarantees and for the exercise of certain powers. Premiums collected by the RADQ are paid into this fund, as are the amounts that the Minister of Finance may, when authorized by the Government and under conditions set by it, pay to the RADQ from time to time;
- When the resources of the RDAQ are insufficient for the payment of its obligations or the exercise of its powers, the Minister of Finance, with the authorization of the Government and on conditions it determines, may make advances to the RDAQ or guarantee payment of any commitment the latter may make. The total unpaid balance of such advances and guaranteed commitments must not exceed $700 million.

2. ACCOUNTING POLICIES

The financial statements of the Deposit Insurance Fund of the RADQ were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Premiums

Premiums collected from institutions registered at December 31 are based on the amount of their guaranteed deposits as at April 30 of each year.

Allowance for losses

The allowance for losses on claims related to repayment of guaranteed deposits arises from the subrogation of depositors' rights and interests. The allowance for losses is determined on a case-by-case basis and is entered as soon as they can be evaluated with reasonable assurance. The annual change in this allowance is recorded in the statement of revenue and expenditure and accumulated net income.

Funds entrusted to the Caisse de dépôt et placement du Québec

Funds entrusted to the Caisse de dépôt et placement du Québec are recorded at acquisition cost.

3. ADMINISTRATIVE EXPENSES

	2001	2000
Salaries and fringe benefits	$243 750	$258 668
Examination fees *	274 900	288 856
Administrative support fees *	119 218	132 048
Other expenses	209 944	138 311
	$847 812	$817 883

* These fees are posted by the Inspector General of Financial Institutions.

RÉGIE DE L'ASSURANCE-DÉPÔTS DU QUÉBEC

DEPOSIT INSURANCE FUND

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001

4. FUNDS ENTRUSTED TO THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

	2001	2000
Demand deposits[1]	$9 518 652	$1 089 770
Participation deposits[2]	222 367 525	198 055 041
	231 886 177	199 144 811
Investment income receivable	929 199	1 057 384
	$232 815 376	$200 202 195

1 Demand deposits bearing interest calculated on a daily basis at the market rate for one-day loans and investments.

2 Participation deposits in a special fund with the Caisse de dépôt et placement du Québec expressed in units. These units are refundable with prior notice according to the regulations of the Caisse, at the market value of the equity level of the special fund at the end of each month. At December 31, 2001, the RADQ held 224 246 units (2000: 200 018), whose market value is $228 259 183 (2000: $200 458 183).

5. CLAIMS RELATED TO REPAYMENT OF GUARANTEED DEPOSITS

	2001	2000
Claims receivable	$5 249 237	$5 249 237
Allowance for losses	5 240 000	5 240 000
	$9 237	$9 237

When the RADQ pays a deposit of money in the place and stead of an institution, it is subrogated in the rights of the depositor against the institution and claims from the institution the amount thus paid plus attendant interest.

6. GUARANTEED DEPOSITS

Deposits guaranteed as at April 30, 2001 amounted to $53.1 billion (2000: $51.3 billion), $10.3 billion of which (2000: $10.4 billion) was held by trust or savings companies incorporated under a federal statute and not required to pay a premium.

By virtue of an agreement reached with the Canada Deposit Insurance Corporation (CDIC), the latter will compensate the RADQ and release it from any liability resulting from a guarantee granted by the latter on deposits from a trust or savings company incorporated under a federal statute.

7. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements an recorded at exchange value, the Fund is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Fund did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

The cost of certain fringe benefits paid out of various government departments' and agencies' appropriations is not shown in the statement of revenue and expenditure and accumulated net income.

RÉGIE DE L'ASSURANCE-DÉPÔTS DU QUÉBEC

MANAGEMENT'S REPORT

The financial statements of the Deposit Insurance Fund of the Régie de l'assurance-dépôts du Québec were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

RADQ management recognizes that it is responsible for conducting the Deposit Insurance Fund's affairs in accordance with the statutes and regulations governing it.

The board of directors oversees the manner in which management performs its financial reporting duties and has approved the financial statements.

The Auditor General of Québec has audited the Fund's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion.

Normand Côté
Assistant Director General

Jean-Guy Turcotte
President and Chief Executive Officer

Québec, March 1, 2002

RÉGIE DE L'ASSURANCE-DÉPÔTS DU QUÉBEC

DEPOSIT INSURANCE FUND

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Deposit Insurance Fund of the Régie de l'assurance-dépôts du Québec (RADQ) as at December 31, 2001 and the statements of revenue and expenditure and cumulated net income and cash flows for the year then ended. These financial statements are the responsibility of RADQ management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Fund's financial position as at December 31, 2001 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, March 1, 2002

RÉGIE DE L'ASSURANCE MALADIE DU QUÉBEC
(R.S.Q., c. R-5)

PROGRAM COST AND FINANCING
for the year ended March 31
(in thousands of dollars)

	2002	2001
COST OF PROGRAMS (Note 3)		
Medical services (Note 4)	2 830 498	2 671 789
Prescription drugs and pharmaceutical services (Note 5)	1 729 713	1 518 059
Technical aids	90 615	83 436
Hospital services (Note 6)	88 237	102 720
Dental services (Note 4)	80 432	81 844
Home care services	37 189	31 108
Optometry services (Note 4)	36 009	26 890
Other (Note 7)	10 292	12 901
	4 902 985	4 528 747
Amounts recovered from liable third parties and from foreign nationals for hospital care	3 941	4 277
	4 899 044	4 524 470
Administrative expenses (Note 8)	104 638	95 885
	5 003 682	4 620 355
SOURCES OF FINANCING		
Health Services Fund	4 295 030	3 941 088
Prescription Drug Insurance Fund	402 139	356 615
Gouvernement du Québec	216 892	237 022
Commission de la santé et de la sécurité du travail	65 350	62 545
Reciprocal agreements with other provinces (Note 6)	18 505	17 570
Other	5 766	5 515
	5 003 682	4 620 355

RÉGIE DE L'ASSURANCE MALADIE DU QUÉBEC

BALANCE SHEET
as at March 31
(in thousands of dollars)

	2002	2001
ASSETS		
Current assets		
Contributions receivable		
Health Services Fund	209 746	274 717
Prescription Drug Insurance Fund	74 172	38 333
Fees to recovered (Note 9)	98 338	84 168
Other receivables	21 022	9 675
	403 278	406 893
Investment (Note 10)	3 708	3 608
Fixed assets (Note 11)	32 740	32 539
	439 726	443 040
LIABILITIES		
Current liabilities		
Outstanding cheques less cash on hand	32 108	33 189
Services payable (Note 4)	359 196	354 542
Other accounts payable and accruals	14 479	9 743
	405 783	397 474
Provision for sick leave and vacation time (Note 14)	22 142	19 703
Long-term debt (Note 12)	11 801	25 863
	439 726	443 040

COMMITMENTS (Note 15)
SUBSEQUENT EVENT(Note 16)

On behalf of the Régie,
Duc Vu, President and Chief Executive Officer
Claude Gagnon, Member of the Board of Directors

NOTES TO FINANCIAL STATEMENTS
March 31, 2002
(in thousands of dollars)

1. CONSTITUTION, PURPOSE AND FINANCING

A legal person within the meaning of the Civil Code, the Régie was established by the Act respecting the Régie de l'assurance maladie du Québec (R.S.Q., c. R-5) for the purpose of administering the health insurance plan and any other program entrusted to it by law or by the Government.

The Régie also administers the basic prescription drug insurance plan, as well as the health assistance program of the Ministère de l'Emploi et de la Solidarité sociale and parts of the programs of the Ministère de la Santé et des Services sociaux, including:

- the remuneration of resident physicians;
- the payment of hospital services rendered outside Québec;
- the tax exemption for home care services;
- the collection of amounts recoverable from liable third parties, residents of other provinces and foreign nationals for hospital care.

The Régie also pays for the professional services of physicians working under legislation administered by the Commission de la santé et de la sécurité du travail, which then reimburses the Régie.

The health insurance plan and the health assistance program are financed out of the Health Services Fund, which also finances the cost of prescription drugs and pharmaceutical services provided under the basic prescription drug insurance plan to:

- persons aged 65 and over;
- employment-assistance program beneficiaries.

The Prescription Drug Insurance Fund finances the cost of prescription drugs and pharmaceutical services provided to all other eligible persons who are not required to join a group insurance plan or a benefit plan.

Finally, the Gouvernement du Québec finances certain parts of programs entrusted to it by the Ministère de la Santé et des Services sociaux.

2. ACCOUNTING POLICIES

The financial statements of the Régie were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

The cash flow statement is not shown as it would not provide any useful supplementary information regarding the Régie's cash flow during the year. However, the most relevant information is provided in the notes to the financial statements.

Cost of programs

Where applicable, the amounts posted to program costs are normalized to reflect the overall budgets pre-defined under framework agreements involving the Minister of Health and Social Services and organizations representing health professionals.

Investment

Investments are recorded at acquisition value and their accounting value is reduced by any lasting writedown observed during the fiscal year.

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002
(in thousands of dollars)

2. ACCOUNTING POLICIES (cont'd)

Fixed assets

Fixed assets are recorded at acquisition cost.

The development of computer systems includes the cost of labour and professional services plus the related computer and office automation equipment.

The straight-line amortization method is used, taking into account the residual value of fixed assets, where applicable. Their service life has been established as follows:

Head office building	40 years
Building renovations	8 years
Computer systems development	5 to 7 years
Office furniture and equipment and automotive equipment	5 years
Computer and office automation equipment	3 to 5 years

Pension plans

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the Régie lacks sufficient information to apply the accounting procedure for defined-benefit plans.

Consequently, it applies the accounting procedure for defined-benefit plans to interenterprise government defined-benefit plans.

3. PROGRAM COST

The cost of goods and services, by program, breaks down as follows:

	2002	2001
Health insurance plan	2 892 702	2 707 196
Public basic prescription drug insurance plan	1 726 180	1 515 438
Health assistance	50 945	52 607
Other	229 217	249 229
	4 899 044	4 524 470

4. MEDICAL, DENTAL AND OPTOMETRY SERVICES

The Minister of Health and Social Services signed framework agreements with the following professional organizations:

	Maturing
Federation of General Practitioners of Quebec	March 31, 2002
Federation of Medical Specialists of Quebec	March 31, 2002
Québec Association of Dental Surgeons	March 31, 2001
Québec Association of Surgeons Specializing in Oral and Maxillofacial Surgery	March 31, 2002
Quebec Association of Optometrists	March 31, 2002

These framework agreements establish the overall budget allowance per fiscal year for services determined under the agreements and rendered by health care professionals under the health insurance plan or any other program administered by the Régie.

The parties must agree on the terms and conditions to implement to ensure that budgets are respected should there be a change related to the remuneration of health professionals.

4. MEDICAL, DENTAL AND OPTOMETRY SERVICES (cont'd)

For the fiscal year ended March 31, 2002, the cost of medical services was reduced by $17.9 million and the cost of optometry services increased by $2.4 million.

No adjustment was made to the "dental services" item for fiscal 2000-2001 or 2001-2002 due to a dispute between the Québec Association of Dental Surgeons and the Government regarding measures to take to ensure that framework agreements are respected for the period from fiscal 1995-1996 to 2000-2001.

At March 31, 2002, the result of the adjustments made to the cost of programs since the onset of these framework agreements, in 1995, was an increase of $10.8M (2001: $26.3M) in the item "services payable".

5. PRESCRIPTION DRUGS AND PHARMACEUTICAL SERVICES

	2002	2001
Persons aged 65 and over	943 460	818 193
Employment-assistance program beneficiaries	396 752	353 878
Eligible persons who are not required to join a group insurance plan or a benefit plan	385 968	343 367
Persons eligible for special programs	3 533	2 621
	1 729 713	1 518 059

6. HOSPITAL SERVICES

	2002	2001
Hospital services provided to Québec residents outside the province	64 462	74 936
Hospital services provided in Québec to residents of other provinces	18 505	17 570
Radiation oncology services provided outside Québec	5 270	10 214
	88 237	102 720

7. OTHER

	2002	2001
Research grants	8 713	8 970
Assistance to persons infected with the hepatitis C virus	1 579	3 931
	10 292	12 901

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002
(in thousands of dollars)

8. ADMINISTRATIVE EXPENSES

	2002	2001
Salaries and fringe benefits	64 940	60 549
Office space, equipment and furniture	11 261	9 008
Depreciation of fixed assets	9 815	8 479
Interactive communications network	6 204	5 997
Information, telephone and messenger services	6 028	5 549
Professional and other services	2 806	2 292
Materials and supplies	2 078	2 111
Interest on long-term debt	1 506	1 900
	104 638	95 885

9. COSTS TO BE RECOVERED

	2002	2001
Gouvernement du Québec	79 656	67 999
Commission de la santé et de la sécurité du travail	12 999	11 467
Hospital services owing from other provinces	5 683	4 702
	98 338	84 168

10. INVESTMENT

	2002	2001
Motus Technologies inc.		
Common shares	3 708	3 608

During the fiscal year, the Régie underwrote an additional $0.1 M for the acquisition of common shares.

11. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net	Net
Land	1 000		1 000	1 000
Head office building	17 537	8 937	8 600	8 900
Building renovations	3 000	3 000		434
Computer systems development	46 627	29 069	17 558	18 792
Office furniture and equipment and automotive equipment	2 509	485	2 024	429
Computer and office automation equipment	8 121	4 563	3 558	2 984
	78 794	46 054	32 740	32 539

Acquisitions for the fiscal year necessitated expenditures of $10 M (2001: $4 M).

12. LONG-TERM DEBT

	2002	2001
Borrowings on notes from the Financing Fund of the Gouvernement du Québec at fixed rates varying from 5.91% to 8.19%, maturing from 2003 to 2006	11 801	25 863

Cash flows

Reimbursements	14 062	6 030
Interest paid	1 106	1 756

Assuming that the borrowings on notes are refinanced on the same terms, payments of principal for the next five fiscal years are as follows:

2003	2 271
2004	1 308
2005	922
2006	500
2007	500

13. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements, the Régie is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Régie did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

14. FUTURE FRINGE BENEFITS

Pension plans

Régie employees and salaried health care professionals participate in the Government and Public Employees Retirement Plan (RREGOP), the Civil Service Superannuation Plan (CSSP) or the Pension Plan of Management Personnel (PPMP). These are interemployer defined benefit plans and include guaranteed payments upon retirement and death.

The Régie's contributions charged to the year-end statement amount to $2.2 million (2001: $1.7 million) for its employees and are included in administrative expenses. Contributions for salaried health care professionals amount to $2.8 million (2001: $2.5 million) and are included in the cost of programs under the items "medical services," "dental services" and "optometry services." The liability of the Régie towards these Government plans is restricted to its contributions for current service as an employer.

Sick leave and vacation time

	2002	2001
Opening balance	19 703	17 076
Net increase due to employees departures and arrivals	1 280	1 618
Expenditures	6 776	7 740
Utilization	(5 617)	(6 731)
Closing balance	22 142	19 703

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002
(in thousands of dollars)

15. COMMITMENTS

As at March 31, 2002, the minimum contractual commitments related to the acquisition of goods and services under procurement contracts and to the rental of office space are as follows:

2003	15 090
2004	13 064
2005	12 610
2006	8 815
2007	869
	50 448

16. SUBSEQUENT EVENT

Draft legislation tabled before the Québec National Assembly on May 8, 2002 provides for all of the costs of the public drug insurance plan to be transferred to the Drug Insurance Fund as of July 1, 2002.

RÉGIE DE L'ASSURANCE MALADIE DU QUÉBEC

MANAGEMENT RESPONSIBILITY REGARDING FINANCIAL INFORMATION

The financial statements of the Régie de l'assurance maladie du Québec were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility includes choosing appropriate accounting policies that respect the accounting principles that are generally accepted in Canada. It also involves guaranteeing that the financial information presented elsewhere in the annual report complies with that of the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls and has implemented an internal auditing program. This enables it to provide reasonable assurance that assets are safeguarded and that the accounting records constitute an adequate basis for objective, reliable financial statements that accurately represent the Régie's financial position and operations.

The Board of Directors is responsible for examining and approving the financial statements and for overseeing the manner in which management performs its financial reporting duties. The Board of Directors is assisted in carrying out its mandate by the Audit Committee.

The Régie recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The Auditor General of Québec has audited the Régie's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with management to discuss any matter related to the audit.

Duc Vu
President and Chief Executive Officer

André Gignac
Director, Budget and
Financial Resources

Sillery, May 27, 2002

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Régie de l'assurance maladie du Québec as at March 31, 2002 and the statements of program cost and financing for the year then ended. These financial statements are the responsibility of Régie management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Régie's financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, May 27, 2002

RÉGIE DE L'ÉNERGIE
(R.S.Q., c. R-6.01)

REVENUE AND EXPENDITURE AND SURPLUS
for the year ended March 31, 2002

	2002	2001
REVENUE		
Royalties – salaries and operations	$6 273 436	$5 894 561
Royalties – fixed assets (Note 6)	150 000	110 000
	6 423 436	6 004 561
Deferred contribution – fixed assets (Note 6)	66 151	151 181
Interest income	56 218	161 378
Fees and other	22 734	80 992
	6 568 539	6 398 112
EXPENDITURE		
Salaries and fringe benefits	5 151 893	4 724 786
Professional and administrative services	524 366	572 472
Rent	793 187	796 002
Other operating expenses	649 779	710 665
Depreciation of fixed assets (Note 6)	216 151	261 181
Depreciation of fixed assets held under capital leases	85 526	82 870
Interest on long-term debt	80 821	83 957
Reimbursement of expenses – hearing	84 077	115 949
	7 585 800	7 347 882
EXCESS EXPENDITURE OVER REVENUE	(1 017 261)	(949 770)
SURPLUS, BEGINNING OF YEAR	1 143 678	2 093 448
SURPLUS, END OF YEAR	$126 417	$1 143 678

RÉGIE DE L'ÉNERGIE

BALANCE SHEET
as at March 31, 2002

	2002	2001
ASSETS		
Current assets		
Cash on hand	$1 644 213	$564 562
Banker's acceptance		2 039 751
Accounts receivable	276 076	378 032
Prepaid expenses	36 228	39 278
	1 956 517	3 021 623
Fixed assets (Note 3)	1 174 219	1 431 289
	$3 130 736	$4 452 912
LIABILITIES		
Current liabilities		
Accounts payable and accruals (Note 4)	$1 272 202	$1 204 774
Short-term provision for sick leave (Note 8)	114 459	227 333
Current portion of long-term debt (Note 5)	83 019	76 666
	1 469 680	1 508 773
Provision for sick leave (Note 8)	190 206	303 237
Long-term debt (Note 5)	852 209	935 228
Deferred contribution – fixed assets (Note 6)	492 224	561 996
SURPLUS	126 417	1 143 678
	$3 130 736	$4 452 912

On behalf of the Régie,
Jean A. Guérin

RÉGIE DE L'ÉNERGIE

CASH FLOWS
for the year ended March 31, 2002

	2002	2001
OPERATING ACTIVITIES		
Receipts – royalties – salaries and operations	$6 321 180	$5 809 116
Receipts – royalties and other revenue	16 910	275 151
Disbursements – salaries and fringe benefits	(5 338 440)	(4 394 718)
Disbursements – operations	(2 020 290)	(1 999 660)
Interest received	109 470	117 373
Interest paid	(80 821)	(83 957)
Cash flows used for operating activities	(991 991)	(276 695)
INVESTMENT ACTIVITIES		
Acquisition of fixed assets	(48 228)	(227 305)
Proceeds from disposal of fixed assets	6 785	
Acquisition of fixed assets held under Capital leases		(49 115)
Cash flows used for investment activities	(41 443)	(276 420)
FINANCING ACTIVITIES		
Long-term debt		49 115
Reimbursements of long-term debt	(76 666)	(65 784)
Receipts – royalties – fixed assets	150 000	110 000
Cash flows provided by financing activities	73 334	93 331
NET DECREASE	(960 100)	(459 784)
CASH AND CASH EQUIVALENTS, AT THE BEGINNING	2 604 313	3 064 097
CASH AND CASH EQUIVALENTS, AT THE END (Note 7)	$1 644 213	$2 604 313

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

The Régie is a quasi-judicial regulatory board established by the Act respecting the Régie de l'énergie (R.S.Q., c. R-6.01) and entrusted with decision-making, advisory and examination, superintending and investigative powers. Its authority and responsibilities cover, to varying degrees, all energy markets in Québec, i.e. electricity, natural gas, petroleum products and steam, and include activities related to supply, transport, distribution and storage.

The Régie must reconcile the public interest, consumer protection and fair treatment of electricity distributors and distributors.

2. ACCOUNTING POLICIES

The financial statements of the Régie were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts bases on best estimates and judgements.

Fixed assets

Fixed assets are recorded at cost and depreciated on a straight-line basis according to their estimated service lives, namely:

Computer system and data processing equipment	3 years
Furniture and equipment	5 years
Leasehold improvements	3 to 12 years

Revenue

Contributions are recorded according to the deferral method. Contributions for budgeted fixed asset expenditures are deferred and recognized as revenue over the same term as the depreciation of the fixed assets they are used to finance. Deferred contributions corresponding to cancelled fixed asset expenditures are recognized as revenue when they are cancelled by the Régie.

Contributions for budgeted operating expenses and salaries approved by the Government are recorded as revenue in the year for which they are approved.

Cash and cash equivalents

The Régie's policy consists in presenting under cash and cash equivalents bank balances and bank acceptances that are easily convertible in the short term and a known amount of cash whose value should not change significantly.

Pension plans

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the Régie lacks sufficient information to apply the accounting procedure for defined-benefit plans.

3. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net	Net
Computer system and data processing equipment	$689 094	$512 805	$176 289	$285 387
Furniture and equipment	284 350	174 255	110 095	165 525
Leasehold improvements	67 911	18 639	49 272	56 289
	1 041 355	705 699	335 656	507 201
Fixed assets held under capital leases				
Leasehold improvements	1 209 194	370 631	838 563	924 088
	$2 250 549	$1 076 330	$1 174 219	$1 431 289

RÉGIE DE L'ÉNERGIE

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

4. ACCOUNTS PAYABLE AND ACCRUALS

	2002	2001
Accounts payable and accruals	$372 283	$344 215
Salaries and fringe benefits	479 823	464 594
Provision for vacation time	420 096	395 965
	$1 272 202	$1 204 774

5. LONG-TERM DEBT

	2002	2001
Commitments under capital leases, from 6.3% to 9.3%, maturing from February 2004 to October 2012, repayable in monthly instalments of $13 124	$935 228	$1 011 894
Instalments due within one year	83 019	76 666
	$852 209	$935 228

The minimum payments required on commitments under capital leases are as follows:

2003	$157 486
2004	156 354
2005	143 901
2006	140 029
2007	132 285
2008 to 2013	616 533
	1 346 588
Less: interest included in the minimum payments required	411 360
	$935 228

6. DEFERRED CONTRIBUTION - FIXED ASSETS

The item "Deferred contribution - fixed assets" represents contributions received in the form of royalties to finance the fixed asset expenditures included in the budget estimates approved by the Government. Discrepancies in the balance of these contributions for the fiscal year are as follows:

	2002	2001
Opening balance	$561 996	$713 177
Projected fixed asset expenditures	150 000	110 000
Amortization for the year	(216 151)	(261 181)
Deferred contribution – fixed assets	(66 151)	(151 181)
Disposal of fixed assets	(3 621)	
Net contribution for the year	(69 772)	(151 181)
Closing balance	$492 224	$561 996

6. DEFERRED CONTRIBUTION - FIXED ASSETS (cont'd)

Fixed assets acquired under capital lease contracts are not included in fixed asset expenditures and, therefore, are not included in the item "Deferred contribution - fixed assets".

7. CASH AND CASH EQUIVALENTS

	2002	2001
Cash on hand	$1 644 213	$564 562
Banker's acceptance		2 039 751
	$1 644 213	$2 604 313

8. FUTURE FRINGE BENEFITS

Provision for sick leave

	2002	2001
Opening balance	$530 570	$425 972
Expenditure for the year	(41 129)	171 856
Benefits paid during the year	(184 776)	(67 258)
Closing balance	304 665	530 570
Short-term provision	114 459	227 333
	$190 206	$303 237

Pension Plans

The staff members of the Régie participate in the Government and Public Employees Retirement Plan (RREGOP) and the Pension Plan for Management Personnel (PPMP). These are defined-benefit plans and include guaranteed payments upon retirement and death.

The Régie's contributions charged to the year-end expenditure, under the entry "Salaries and fringe benefits" amount to $137 809 (2001: $106 235). The Régie's liability towards this Government plan is restricted to its contributions as an employer.

9. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements, the Régie is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Régie did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

RÉGIE DE L'ÉNERGIE

ADDITIONAL INFORMATION
for the year ended March 31, 2002

GENERAL INFORMATION

The sector-based information appearing in the following table, appended to the financial statements, complies with the information presented in the financial statements and reflects the relative importance of the Régie's activities in the different energy sectors in keeping with its incorporating legislation and various regulations.

Beginning April 1, 2001, the Régie updated the method used to break down its revenues and expenditures to reflect the changes in its activities. This updating method reflects activity cost by form of energy and complies with the recommendation to this effect issued by the Auditor General during this fiscal year.

The surpluses (deficits) at the beginning of the year, i.e. April 1, 2001, are the surpluses (deficits) as at March 31, 2001, as presented in the sector-based information appended to the audited financial statements for fiscal 2000-2001.

SEGMENTED INFORMATION

	2002				2001
	Electricity	Natural gas	Petroleum	Total	Total
REVENUE					
Royalties:					
Salaries and operations	$2 958 799	$2 815 438	$499 199	$6 273 436	$5 894 561
Fixed assets	87 588	49 116	13 296	150 000	110 000
	3 046 387	2 864 554	512 495	6 423 436	6 004 561
Deferred contribution – fixed assets	54 539	(1 730)	13 342	66 151	151 181
Interest income	36 965	12 325	6 928	56 218	161 378
Fees and other	14 492	4 931	3 311	22 734	80 992
	3 152 383	2 880 080	536 076	6 568 539	6 398 112
EXPENDITURE					
Salaries and fringe benefits	3 376 592	1 130 441	644 860	5 151 893	4 724 786
Professional and administrative services	342 740	112 578	69 048	524 366	572 472
Rent	521 549	173 887	97 751	793 187	796 002
Other operating expenses	373 276	128 401	148 102	649 779	710 665
Depreciation of fixed assets	142 127	47 386	26 638	216 151	261 181
Depreciation of fixed assets held under capital leases	56 236	18 750	10 540	85 526	82 870
Interest on long-term debt	53 143	17 718	9 960	80 821	83 957
Reimbursement of expenses – hearing			84 077	84 077	115 949
	4 865 663	1 629 161	1 090 976	7 585 800	7 347 882
EXCESS (EXPENDITURE OVER REVENUE) REVENUE OVER EXPENDITURE	(1 713 280)	1 250 919	(554 900)	(1 017 261)	(949 770)
SURPLUS (DEFICIT), BEGINNING OF YEAR	1 420 405	(402 417)	125 690	1 143 678	2 093 448
SURPLUS (DEFICIT), END OF YEAR	$(292 875)	$848 502	$(429 210)	$126 417	$1 143 678

RÉGIE DE L'ÉNERGIE

MANAGEMENT'S REPORT

The financial statements of the Régie de l'énergie were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Régie recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The Auditor General of Québec has audited the Régie's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with management to discuss any element concerning his audit.

Jean A. Guérin
President

Montréal, May 29, 2002

RÉGIE DE L'ÉNERGIE

REPORT TO MANAGEMENT

The financial statements of the Régie de l'énergie for the fiscal year ended March 31, 2002 were prepared and presented in a manner that is comparable to previous fiscal years, ensuring continuity as regards the application of accounting policies in keeping with the accounting principles that are generally accepted in Canada and estimates made by management.

In keeping with section 108 of the Act respecting the Régie de l'énergie, the latter keeps separate accounts for each distributor. Under section 109, the Auditor General of Québec has audited the Régie's books, accounts and supplementary information.

The Régie's financing—revenues from annual royalties—was obtained in keeping with the application of the Regulation respecting the rates and terms of payment of the annual royalties payable to the Régie de l'énergie, Order-in-Council 383-98 of April 1, 1998. This financing respects the "user-pays" principle.

The supplementary information by energy form appended to the financial statements complies with the information presented in the financial statements and presents the expenditure breakdown method by energy form.

To reflect the change in activities under its jurisdiction, the Régie has updated the method used to break down its revenues and expenditures as of April 1, 2001. This updated method complies with the recommendation to this effect issued by the Auditor General during this fiscal year.

The Auditor General's use of a different method for breaking down revenue and expenditure in his report to the National Assembly accompanying the financial statements of the Régie de l'énergie, for the fiscal year ended March 31, 2001, illustrated the theoretical data of surpluses by energy form for which retroactivity was not possible. The Regulation respecting royalties was amended on August 23, 2001 and came into effect on April 1, 2001, i.e. after the fiscal year ended March 31, 2001. Similarly retroactivity was not possible for the current fiscal year as concerns the impact on surpluses by energy form of the different revenues-expenditure breakdown method recommended by the Auditor General for previous fiscal years.

Alain R. Pagé, MBA
Director of Administrative Services

Odette Alarie, CA
Head of the Financial
Resources Department

Pierre Théroux, Attorney
Director of Legal Services

RÉGIE DE L'ÉNERGIE

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Régie de l'énergie as at March 31, 2002, the statement of revenue and expenditure and surplus and the statement of cash flow and additional information for the year then ended. These financial statements are the responsibility of Régie management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements and the additional information are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the overall presentation of the financial statements and additional information.

In my auditor's report on the financial statements for the fiscal year ended on March 31, 2001, I formulated a restriction related to the inadequate breakdown of certain expenditures between the different energy sectors presented in the supplementary information. In my opinion, given that the Régie had not yet adjusted the surpluses and deficits by sector as at March 31, 2001, the $292 875 deficit presented as at March 31, 2002 for the electricity sector should have been a $591 184 surplus as at this date; the $848 502 surplus presented as at March 31, 2002 for the natural gas sector should have been $1 047 085 as at this date and the $429 210 deficit presented as at March 31, 2002 for the oil sector should have been $1 511 852 as at this date.

In my opinion, apart from the effects, mentioned in the previous paragraph, of not adjusting the surpluses and deficits by energy sector presented in the supplementary information, these financial statements present fairly, in all material respects, the Régie's financial position as at March 31, 2002 and the results of its operations and cash flow for the year then ended, in accordance with generally accepted accounting principles. As required by the Auditor General Act (R.S.Q., c. V-5.01) I report that, in my opinion, apart from the change made to the breakdown of certain expenditures between the different energy sectors presented in the supplementary information, these principles were applied on a basis consistent with that of the preceding year.

Comments on the report to management

The report to management mentions that the Régie's financing—revenues from annual royalties—was obtained in keeping with the application of the Regulation respecting the rates and terms of payment of the annual royalties payable to the Régie de l'énergie. The Regulation stipulates that the adjusted expenditure forecasts used to establish the royalties take sector-based information—forecasts and real—into account. In my opinion, the method used until March 31, 2001 to break down surpluses by energy sector was inadequate. Since the Régie did not adjust the surpluses and deficits by sector as at March 31, 2001, as indicated in the preceding paragraphs, at March 31, 2002, this situation resulted in one energy sector bearing the expenditures attributable to another, thereby compromising the principles of fairness and accountability underlying the Regulation.

Further, the new regulation that came into effect on April 1, 2001 does not affect the Régie's obligation to adequately break down its expenditures by energy sector for each fiscal year.

Doris Paradis, C.A.
Acting Auditor General of Québec

Québec, May 29, 2002

RÉGIE DES INSTALLATIONS OLYMPIQUES
(R.S.Q., c. R-7)
REVENUE FUND

EARNINGS
for the year ended October 31, 2001
(in thousands of dollars)

	2001	2000
REVENUE		
Gouvernement du Québec subsidy (Note 4)	19 891	22 062
Sport and tourist installations and special events		
Entrance fees	4 454	4 005
Rent	1 818	2 113
Advertising	411	386
Parking	3 412	2 797
Souvenirs	613	656
Concession fees	1 298	1 030
Rental of commercial and office spaces	1 399	1 234
Energy cost supplied to third parties – recovered	3 930	4 027
Work and services billed to third parties	1 131	1 091
Other	91	76
	38 448	39 477
EXPENSES		
Salaries		
Regular employees	7 784	7 907
Casual employees	3 458	2 202
Employee benefits	1 776	1 769
Pension fund contributions	286	298
Costs relating to breach of employment contracts	127	624
Service contracts	3 619	3 438
Equipment rental and materials	1 399	1 311
Products for resale	318	332
Energy	8 011	6 628
Insurance	39	12
Taxes on water and services	4 252	7 764
Professional fees	557	334
Allowance for claims		404
Rights, commissions and fees	217	282
Financial expenses		
Interest on short-term loan	222	307
Interest on long-term debt	914	993
Stationery, printing, telecommunications	566	372
Advertising	1 084	1 127
Doubtful accounts	329	
Other	426	352
Depreciation of fixed assets	3 314	3 193
	38 698	39 649
OPERATING DEFICIT	(250)	(172)
Other item		
Costs incurred as a result of the incident on January 18, 1999	467	1 265
Deficit before additional grant	(717)	(1 437)
Additional Gouvernement du Québec subsidy relating to the 1999 deficit		3 171
SURPLUS (DEFICIT) FOR THE YEAR	(717)	1 734

The accompanying notes are an integral part of the financial statements.

RÉGIE DES INSTALLATIONS OLYMPIQUES

REVENUE FUND
OPERATING SURPLUS
APPROPRIATED SURPLUS
for the year ended October 31, 2001
(in thousands of dollars)

	2001							2000
	Appropriated							
	New product and market development	Installation maintenance program	Data processing master plan Phase II	Upgrading media facilities	Total	Operations	Total	Total
SURPLUS (DEFICIT), BEGINNING OF YEAR	402	100			502	1 106	1 608	(727)
Surplus (deficit) for the year						(717)	(717)	1 734
Invested in fixed assets								(514)
Balance available for investments	402	100			502	389	891	493
SURPLUS, BEGINNING OF YEAR	356	285	183	9	833		833	1 434
Fixed assets								
Acquired from surplus								514
Transfers from operating surplus	(52)	(49)	(92)	(3)	(196)	196		
Amortized balance	304	236	91	6	637	196	833	1 948
SURPLUS, END OF YEAR	706	336	91	6	1 139	585	1 724	2 441

The accompanying notes are an integral part of the financial statements.

RÉGIE DES INSTALLATIONS OLYMPIQUES

REVENUE FUND

CASH FLOWS
for the year ended October 31, 2001
(in thousands of dollars)

	2001	2000
OPERATING ACTIVITIES		
Surplus (deficit) for the year	(717)	1 734
Non-cash items		
Depreciation of fixed assets	3 314	3 193
Loss on disposal of fixed assets		191
Changes in other assets and liabilities (Note 5)	(2 293)	439
Net cash generated	304	5 557
INVESTING ACTIVITIES		
Fixed assets	(2 869)	(5 161)
Disposal of fixed assets		47
Deferred expenses	(622)	
Net cash used	(3 491)	(5 114)
FINANCING ACTIVITIES		
Bank loan	2 301	97
Owing to Construction Fund	(5)	4
Long-term loans		10 000
Repayment of long-term debt		(10 000)
Net cash generated	2 296	101
INCREASE (DECREASE) IN CASH	(891)	544
CASH (BANK OVERDRAFT), BEGINNING OF YEAR	379	(165)
CASH (BANK OVERDRAFT), END OF YEAR	(512)	379

The accompanying notes are an integral part of the financial statements.

RÉGIE DES INSTALLATIONS OLYMPIQUES

REVENUE FUND

BALANCE SHEET
as at October 31, 2001
(in thousands of dollars)

	2001	2000
ASSETS		
Cash		379
Accounts receivable	1 395	1 657
Grant receivable		8 248
Inventory	1 132	827
Prepaid expense	798	96
Fixed assets (Note 6)	24 922	25 367
Deferred expenses	622	
	28 869	36 574
LIABILITIES		
Bank overdraft	512	
Bank loan (Note 7)	4 295	1 994
Accounts and commitments payable	6 615	16 446
Deferred grant	723	688
Owing to Construction Fund		5
Long-term debt (Note 8)	15 000	15 000
	27 145	34 133
SURPLUS		
Operating surplus	585	1 106
Appropriated surplus	1 139	1 335
	1 724	2 441
	28 869	36 574

The accompanying notes are an integral part of the financial statements.

On behalf of the Board,
Alain Riendeau, Director
Camille Montpetit, Director

RÉGIE DES INSTALLATIONS OLYMPIQUES

CONSTRUCTION FUND

CASH FLOWS
for the year ended October 31, 2001
(in thousands of dollars)

	2001	2000
INVESTING ACTIVITIES		
Construction disbursements	67	(898)
Changes in other assets and liabilities	5	(2)
Net cash generated (used)	72	(900)
FINANCING ACTIVITIES		
Contributions received from the Special Olympic Fund	54 441	40 395
Net repayment of long-term loans	(54 500)	(40 049)
Net cash generated (used)	(59)	346
INCREASE (DECREASE) IN CASH	13	(554)
CASH, BEGINNING OF YEAR	262	816
CASH, END OF YEAR	275	262

The accompanying notes are an integral part of the financial statements.

RÉGIE DES INSTALLATIONS OLYMPIQUES

CONSTRUCTION FUND

BALANCE SHEET
as at October 31, 2001
(in thousands of dollars)

	2001	2000
ASSETS		
Construction cost of the installations (Note 9)	1 476 751	1 476 917
Expenses to be assumed by the Special Olympic Fund (Note 10)	124 024	124 976
Contributions received (Note 11)	(1 280 549)	(1 226 108)
	320 226	375 785
Other assets		
Cash	275	262
Advances to Revenue Fund		5
	275	267
	320 501	376 052
LIABILITIES		
Long-term debt (Note 8)	312 636	367 136
Accounts and commitments payable	298	397
Accrued interest	7 567	8 519
	320 501	376 052

The accompanying notes are an integral part of the financial statements.

On behalf of the Board,
Alain Riendeau, Director
Camille Montpetit, Director

RÉGIE DES INSTALLATIONS OLYMPIQUES

NOTES TO FINANCIAL STATEMENTS
October 31, 2001
(in thousands of dollars)

1. GOVERNING STATUTES AND NATURE OF OPERATIONS

The Régie des installations olympiques (the Régie) is a mandatory corporation of the Québec Government, incorporated by legislation adopted by the Gouvernement du Québec, the Act respecting the Régie des installations olympiques.

The Régie is the owner of some movable and immovable installations provided for the Games of the 21st Olympiad and was mandated to complete the construction and layout of the aforesaid installations as well as to operate them.

The Régie's revenue must be used primarily for its operations. Any excess funds are to be used for the repayment of loans, advances or other obligations of the Régie concerning the completion of the Olympic installations. As soon as the above-mentioned loans and advances are paid and other obligations carried out, the Olympic installations will become the property of the City of Montréal.

The Régie's activities are divided into four primary areas: leasing of commercial premises, offices and sports facilities, production of events, tourism and social.

A significant portion of the Régie's operating budget derives from its social activities, including use of the sports facilities by the general public and for training for elite competitions.

Moreover, the Régie provides on-going support to organizations located in the Hochelaga-Maisonneuve area and East-end Montréal.

2. ASSOCIATED ORGANIZATION

The Special Olympic Fund was constituted by the Act to establish a Special Olympic Fund. This Fund was created to collect from the Minister of Revenue a portion of the special tax on tobacco, the proceeds from the sale of the fixed assets of the Régie's Construction Fund and, formerly, the net receipts reserved for Québec from Loto-Canada.

Managed by the Minister of Finance of Québec, this Special Fund is to be used solely to repay the Régie's loans and related interest and for the completion costs of the Olympic installations.

3. ACCOUNTING PRINCIPLES

The financial statements were prepared in accordance with generally accepted accounting principles or according to certain practices allowed in public or quasi-public organizations. The principal practices are listed below.

Accounting estimates

The preparation of financial statements in accordance the accounting principles that are generally accepted in Canada requires Régie management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Régie may undertake in the future. Actual results may differ from those estimates.

Expenses charged from the Revenue Fund to the Construction Fund

Since 1997, the Régie has not charged any direct or indirect administrative expenses related to the completion of the installations to the Construction Fund.

Income taxes

Since the Régie is a mandatory corporation of the Gouvernement du Québec, it is not subject to income taxes.

Taxes

The Régie is subject to the water and service tax but not to the property taxes levied by the City of Montréal.

NOTES TO FINANCIAL STATEMENTS (cont'd)
October 31, 2001
(in thousands of dollars)

3. ACCOUNTING PRINCIPLES (cont'd)

Claims

The Régie accounts for claims against third parties only upon receipt of payment.

Provisions have been taken for the lawsuits and claims against the Régie for which the outcome is foreseeable.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the average cost method.

Deferred expenses

Deferred expenses comprise primarily professional fees incurred to find a solution to the roof problem.

If the solution is adopted, these expenses will be capitalized to fixed assets and amortized according to their service life.

If the solution is not adopted, these expenses will be charged to operations for the fiscal year in question.

Depreciation and amortization

Capital assets acquired for operating purposes are depreciated over their estimated service lives according to the straight-line method and the following annual rates and period:

Equipment	10%, 20% and 33.33%
Structure and specific improvements	5%, 6.67%, 10% and 20%
Leasehold improvements	Term of the Régie tenant's lease for spaces
Automotive equipment	6.67%, 10%, 20% and 26.33%

Commitments payable

The Régie accounts for the cost of property when the related purchase orders is issued.

Construction cost of the installations

Excluding the land on which the Olympic installations are built, the cost includes construction, administrative and financing costs and all long-term debt issuing expenses incurred since the beginning. The cost of machinery and equipment used during the construction period has also been charged to the construction cost of the installations.

Disposal of assets

When installations accounted for in the Construction Fund are disposed of, their cost and the corresponding contributions are not written off. However, the proceeds from the disposal of fixed assets are remitted to the Special Olympic Fund in accordance with the legislation governing the Fund (see Note 9).

Contributions received

The Régie's policy is not to charge to its operating revenue the depreciation of the construction cost of the Olympic Park and Olympic Village installations, which is reduced by contributions received.

Contributions received include, in addition to direct contributions received from associated organizations, contributions received from the Special Olympic Fund for the repayment of debt and for the completion costs not financed by long-term loans.

Contributions received exclude interest on long-term debt and on short-term loans and possible additional disbursements resulting from the fluctuation of exchange rates at the time of the repayment of debts in foreign currency which are assumed directly by the Special Olympic Fund.

NOTES TO FINANCIAL STATEMENTS (cont'd)
October 31, 2001
(in thousands of dollars)

3. ACCOUNTING PRINCIPLES (cont'd)

Foreign currency translation

The long-term debt of the Construction Fund includes loans payable in US currency. These loans are translated into Canadian dollars using the exchange rate of 1.3598 established in accordance with the currency and interest-rate swap arrangement entered into with the Consolidated Fund of the province of Québec on October 31, 1995.

4. GOUVERNEMENT DU QUÉBEC SUBSIDY

The Gouvernement du Québec subsidy provided as financial assistance to cover the Régie's deficit is based on budget forecasts.

5. INFORMATION INCLUDED IN THE CASH FLOW STATEMENT

The changes in other assets and liabilities are detailed as follows:

	2001	2000
Accounts receivable	262	(360)
Grant receivable	8 248	(8 248)
Inventory	(305)	85
Prepaid expenses	(702)	179
Deferred financing costs		36
Accounts and commitments payable	(9 831)	8 059
Deferred grant	35	688
	(2 293)	439

6. FIXED ASSETS

	2000		
	Cost	Accumulated depreciation	Net
Equipment	15 325	14 578	747
Structure and specific improvements	45 144	22 457	22 687
Leasehold improvements	6 086	4 903	1 183
Automotive equipment	1 913	1 608	305
	68 468	43 546	24 922

	2000		
	Cost	Accumulated depreciation	Net
Work in process	1 604		1 604
Equipment	15 191	14 082	1 109
Structure and specific improvements	41 244	20 032	21 212
Leasehold improvements	5 822	4 618	1 204
Automotive equipment	1 747	1 509	238
	65 608	40 241	25 367

NOTES TO FINANCIAL STATEMENTS (cont'd)
October 31, 2001
(in thousands of dollars)

7. BANK LOAN

The Régie has a line of credit for a maximum amount of $15 000 000 bearing interest at the lender's base rate and renewable in June 2002.

8. LONG-TERM DEBT

Revenue Fund	2001	2000
Promissory notes issued to the Financing Fund of the Ministère des Finances		
6.09%, maturing in August 2002	10 000	10 000
5.92%, maturing in April 2002	5 000	5 000
	15 000	15 000

The instalments on long-term debt to be made by the Revenue Fund total $15 000 000 in 2002.

Construction Fund	2001	2000
Promissory notes issued to the Financing Fund of the Ministère des Finances		
US$77 036 000, 8.052%, maturing on December 1, 2003 [a]	104 753	104 753
Bearing interest at the three-month bankers' acceptance rate plus 0.39%, maturing on February 21, 2002	42 383	42 383
6.75%, maturing on May 1, 2003	20 000	20 000
6.68%, maturing on May 1, 2003	25 000	25 000
6.763%, maturing on May 16, 2003	25 000	25 000
5.25%, maturing on April 1, 2002	65 000	65 000
2.45013%, maturing on February 21, 2002	20 500	
2.56882%, maturing on January 7, 2002	10 000	
7.51%		65 000
5.80167%		20 000
	312 636	367 136

(a) The Régie hedged the exchange risk on its foreign currency loans using a currency and interest-rate swap arrangement entered into with the Consolidated Fund of the province of Québec on October 31, 1995.

The instalments on long-term debt to be made by the Construction Fund for the next years are $137 383 000 in 2002, $70 000 000 in 2003 and $104 753 000 in 2004.

NOTES TO FINANCIAL STATEMENTS (cont'd)
October 31, 2001
(in thousands of dollars)

9. CONSTRUCTION COST OF THE INSTALLATIONS

	2001	2000
Installations used by the Régie		
Olympic Park		
Balance, beginning of year	1 205 120	1 204 279
Construction cost for the year		
New roof	190	830
Other work	(338)	11
Balance, end of year	1 204 972	1 205 120
Capitalized interest on long-term debt	16 160	16 160
	1 221 132	1 221 280
Installations disposed of		
Vélodrome [a]	82 804	82 804
Biodôme [a]	50 366	50 406
	133 170	133 210
Olympic Village [b]		
Balance, beginning of year	122 427	122 430
Other	22	(3)
Balance, end of year	122 449	122 427
	255 619	255 637
	1 476 751	1 476 917

(a) In 1994 and in accordance with the agreement signed with the City of Montréal, the Régie transferred ownership of the Biodôme to the City for no consideration. The cost relating to ownership of this property represents $133 170 000, i.e. $82 804 000 relating to the Vélodrome and $50 336 000 relating to the Biodôme (see Note 3).

(b) The Olympic Village was sold on April 14, 1998 to a private enterprise further to a call for tenders. The accounting treatment of the disposal of the Village is consistent with the accounting policy for the disposal of assets set out in Note 3.

10. EXPENSES TO BE ASSUMED BY THE SPECIAL OLYMPIC FUND

	2001	2000
Interest paid on refinancing of loans	19 486	19 486
Accrued interest on loans	7 567	8 519
Deferred exchange losses on long-term debt in foreign currency	96 971	96 971
	124 024	124 976

NOTES TO FINANCIAL STATEMENTS (cont'd)
October 31, 2001
(in thousands of dollars)

11. CONTRIBUTIONS RECEIVED

	2001	2000
Special Olympic Fund	1 018 538	964 097
Olympic Games Organizing Committee	191 362	191 362
City of Montréal	70 649	70 649
	1 280 549	1 226 108

12. CONTINGENCIES

Lawsuits and claims have been instituted by or against the Régie. As at October 31, 2001, unsettled lawsuits and claims pending against the Régie total approximately $29 700 000.

Of this amount, claims totalling $14 400 000 have been submitted to our insurance companies concerning the incident that occurred on January 18, 1999, $5 200 000 were received from December 12, 2001 to January 16, 2002. It is currently impossible to determine the financial impact that may arise from this incident.

Based on an analysis of claims for which the outcome is foreseeable, an assessment appears to indicate that the provisions recorded are sufficient for all such lawsuits and claims.

AUDITORS' REPORT

To the Minister responsible for the
Régie des installations olympiques

We have audited the balance sheets of the Revenue Fund and the Construction Fund of the Régie des installations olympiques as at October 31, 2001 and the statements of earnings, operating surplus and appropriated surplus of the Revenue Fund and cash flows of the Revenue Fund and the Construction Fund for the year then ended. These financial statements are the responsibility of Régie management. Our responsibility consists in expressing an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In our opinion, these financial statements present fairly, in all material respects, the Régie's financial position as at October 31, 2001 and the results of its operations and its cash flows for the year then ended, in accordance with the accounting principles described in Note 3. As required by the Auditor General Act (R.S.Q., c. V-5.01), we report that, in our opinion, these accounting principles have been applied on a basis consistent with that of the preceding year.

Raymond Chabot Grant Thornton
Chartered Accountants

Montréal, December 12, 2001
(January 16, 2002 for Note 12)

RÉGIE DES RENTES DU QUÉBEC
(R.S.Q., c. R-9, c. R-15.1, c. R-17)

QUÉBEC PENSION PLAN FUND
CHANGES IN NET ASSETS
for the year ended March 31, 2002
(in thousands of dollars)

	2002 (Note 4)	2001 (Note 5)	2000 (Note 5)
INCREASE IN NET ASSETS			
Contributions to the Québec Pension Plan	6 713 138	5 986 954	4 964 589
Less:			
Bad debts related to uncollected contributions (Note 7)	13 920	13 920	12 812
	6 699 218	5 973 034	4 951 777
Net investment (loss) income (Note 8)	(73 698)	(760 667)	3 080 699
Other revenue	115	22	31
	6 625 635	5 212 389	8 032 507
DECREASE IN NET ASSETS			
Pensions and benefits paid			
Retirement benefits	4 503 549	4 242 880	4 030 252
Surviving spouse's benefits	1 259 764	1 201 617	1 158 698
Disability pensions	558 966	531 342	496 173
Orphan's pensions	16 062	18 810	19 810
Pensions to the children of disabled contributors	8 271	8 804	8 590
Death benefits	83 839	82 935	85 655
	6 430 451	6 086 388	5 799 178
Reimbursement of social aid benefits to the Ministère de l'Emploi et de la Solidarité sociale	4 365	4 577	4 845
	6 434 816	6 090 965	5 804 023
Administrative expenses (Note 9)	74 111	77 223	71 581
	6 508 927	6 168 188	5 875 604
INCREASE (DECREASE) IN NET ASSETS OF THE PLAN	116 708	(955 799)	2 156 903
NET ASSETS OF THE PLAN, BEGINNING OF YEAR			
Previously established balance	17 354 519	18 310 495	16 153 407
Correction of the provision for sick leave and vacation time (Note 5)	(3 006)	(3 183)	(2 998)
Adjusted balance	17 351 513	18 307 312	16 150 409
NET ASSETS OF THE PLAN, END OF YEAR	17 468 221	17 351 513	18 307 312

RÉGIE DES RENTES DU QUÉBEC

SUPPLEMENTAL PENSION PLANS MONITORING FUND

REVENUE AND EXPENDITURE AND FUND BALANCE
for the year ended March 31, 2002
(in thousands of dollars)

	2002 (Note 4)	2001 (Note 5)	2000 (Note 5)
REVENUE			
Fees	4 808	4 508	4 525
Interest	52	37	459
Other	111	62	63
	4 971	4 607	5 047
LIABILITIES			
Administrative expenses (Note 6)			
Salaries and fringe benefits	3 564	3 321	3 378
Transportation and communications	83	106	130
Professional services	197	82	95
Rent	317	292	287
Maintenance and repairs	69	44	56
Supplies	23	24	24
Equipment	4	4	6
Other expenses	27	18	24
Administrative expenses billed by the Société immobilière du Québec	6	6	6
Bad debts	23		
Depreciation of the fixed assets allocated by The Québec Pension Plan fund	207	183	167
Professional fees related to tutorship and winding-up of plans		3	17
Depreciation of the fixed assets of the Fund	259	239	50
	4 779	4 322	4 240
EXCESS REVENUE OVER EXPENDITURE	192	285	807
OPENING FUND BALANCE			
Previously established balance	3 425	3 134	2 326
Correction to the provision for vacation time and sick leave (Note 5)	(154)	(148)	(147)
Adjusted balance	3 271	2 986	2 179
CLOSING FUND BALANCE	3 463	3 271	2 986

RÉGIE DES RENTES DU QUÉBEC

FUND FOR THE ADMINISTRATION OF FAMILY BENEFITS PROGRAM

REVENUE AND EXPENDITURE
for the year ended March 31, 2002
(in thousands of dollars)

	2002	2001 (Note 5)	2000 (Note 5)
REVENUE			
Contribution from the Gouvernement du Québec	21 438	13 811	12 405
EXPENDITURE			
Financial expenses			
Interest on long-term note payable	640	48	131
Other interest charges	48	74	11
	688	122	142
Administrative expenses (Note 6)			
Salaries and fringe benefits	11 143	7 904	7 398
Transportation and communications	1 635	1 661	1 479
Professional services	910	230	69
Rent	1 068	822	758
Maintenance and repairs	760	229	165
Supplies	141	85	151
Equipment	12	9	10
Other expenses	103	41	24
Administrative expenses billed by the Société immobilière du Québec	19	16	13
Participation in the financing of the Tribunal administratif du Québec	203	133	
Depreciation of the fixed assets allocated by the Québec Pension Plan fund	1 358	682	378
Depreciation of the fixed assets of the Fund	3 210	1 689	1 630
Amortization of implementation expenses	188	188	188
	20 750	13 689	12 263
	21 438	13 811	12 405

RÉGIE DES RENTES DU QUÉBEC

BALANCE SHEET OF THE FUNDS
as at March 31, 2002
(in thousands of dollars)

	2002 (Note 4)	2001 (Note 5)	2000 (Note 5)
ASSETS			
QUÉBEC PENSION PLAN FUND			
Amounts entrusted to the Caisse de dépôt et placement du Québec (Note 10)	18 037 283	17 861 076	18 783 603
Contributions receivable from the Ministère du Revenu du Québec	59 675	141 566	21 892
Accounts receivable	19 151	16 754	16 638
Fixed assets (Note 11)	20 199	19 152	17 825
	18 136 308	18 038 548	18 839 958
SUPPLEMENTAL PENSION PLANS MONITORING FUND			
Cash on hand	4 050	3 974	2 386
Accounts receivable	71		
Owed to the Québec Pension Plan fund			365
Fixed assets (Note 11)	693	784	887
	4 814	4 758	3 638
FUND FOR THE ADMINISTRATION OF THE FAMILY BENEFITS PROGRAM			
Owed by the Québec Pension Plan fund	1 366	841	932
Fixed assets (Note 11)	17 093	17 477	9 323
Implementation costs (Note 12)	79	267	455
	18 538	18 585	10 710
PARENTAL INSURANCE PLAN FUND			
Owed by the Québec Pension Plan fund	87	87	
Fixed assets (Note 11)	7 200	6 876	4 037
Implementation costs (Note 12)	2 028	2 028	2 028
	9 315	8 991	6 065

On behalf of the Board of Directors,
Guy Morneau, President and Chief Executive Officer
Claude Béland, Vice-President – Board of Directors

RÉGIE DES RENTES DU QUÉBEC

BALANCE SHEET OF THE FUNDS (cont'd)
as at March 31, 2002
(in thousands of dollars)

	2002 (Note 4)	2001 (Note 5)	2000 (Note 5)
LIABILITIES AND FUND BALANCES			
Outstanding cheques less cash on hand	40 048	38 668	35 437
Advances from the Caisse de dépôt et placement du Québec (Note 13)	520 773	563 712	433 500
Accounts payable	89 721	69 217	48 191
Owed to the other funds administrated by the Régie des rentes du Québec	901	122	1 244
Allowance for vacation pay and sick leave	16 644	15 316	14 274
	668 087	687 035	532 646
Fund balance – Net assets of the Québec Pension Plan (Note 2)	17 468 221	16 351 513	18 307 312
	18 136 308	17 038 548	18 839 958
Owed to the Québec Pension Plan fund	552	806	
Allowance for vacation pay and sick leave	799	681	652
	1 351	1 487	652
Fund balance	3 463	3 271	2 986
	4 814	4 758	3 638
Accrued expenses	110		
Owed to the Gouvernement du Québec	727	267	13
Allowance for vacation pay and sick leave	590	485	543
Notes payable (Note 14)	17 111	17 833	10 154
	18 538	18 585	10 710
Owed to the Québec Pension Plan fund			53
Notes payable (Note 14)	9 315	8 991	6 012
	9 315	8 991	6 065

NOTES TO FINANCIAL STATEMENTS
March 31, 2002
(in thousands of dollars)

1. CONSTITUTION AND MANDATE

The Régie was created in July 1965 by the act entitled Québec Pension Plans (1965, chapter 24). The Régie administers the Act respecting the Québec Pension Plan (R.S.Q., c. R-9) as well as the Supplemental Pension Plans Act (R.S.Q., c. R-15.1) and the Act respecting supplemental pension plans (R.S.Q., c. R-17)) and the Act respecting family benefits (R.S.Q., c. P-19.1). Moreover, in 1997, the Québec government entrusted it with the administration of the Parental Insurance Plan (Act respecting the Parental Insurance Plan (Q.S., 2001, c. 9)), which is not, however, yet in effect.

2. DESCRIPTION OF PROGRAMS ADMINISTERED BY THE RÉGIE

The following description is provided for information purposes. For more comprehensive information concerning the programs, please consult the Act respecting the Québec Pension Plan.

I) QUÉBEC PENSION PLAN

The Act respecting the Québec Pension Plan entered into force on January 1, 1966. The Québec Pension Plan is a compulsory program designed to provide workers and their dependants with basic protection against loss of income due to retirement, disability or death.

Funding and net assets of the Québec Pension Plan fund

The Québec Pension Plan is financed out of contributions shared equally between employees and employers. Self-employed workers must pay both contributions.

The Plan uses the so-called partial funding financing method in which the year's contributions are used to pay current benefits and constitute a reserve allowing the Plan's financing to be stabilized in a context of population aging and to protect the Plan from economic fluctuations. The net assets of the Québec Pension Plan fund represent the funds available for the payment of pensions and benefits, the reimbursement of social aid benefits and the Plan's administrative expenses. These net assets do not cover the actuarial present value of pensions and benefits accrued and payable. At March 31, 2002, the Régie's net assets were $17.5 billion (2001: $17.4 billion, 2000: $18.3 billion) or 2.7 times the amount of the pensions and benefits paid out in fiscal 2001-2002.

According to the last actuarial analysis, at December 31, 2000, based on the 2002 assessment rate of 9.4%, and an increase stipulated in the Act, of 0.5% to reach a permanent rate of 9.9% in 2003 and for the subsequent years, the Plan will be able to pay pensions and benefits, the Plan's administrative expenses and reimburse the Ministère de l'Emploi et de la Solidarité sociale for social aid benefits owing throughout the projection period, i.e. until 2050. Since actuarial analyses are carried out every three years, the next one will report on the Plan's situation at December 31, 20031 and will be completed sometime in 2004. A public consultation will be held at least every six years to review and apply the Act respecting the Québec Pension Plan and offer an opportunity to modify both the projected benefits and the contribution rate. The next such consultation is scheduled for late 2003.

Retirement benefits

A pension is payable to all contributors aged 60 or over, subject to the provisions of the Act respecting the Québec Pension Plan. The monthly pension is equal to 25% of the average monthly pensionable earnings during the contributory period. It is increased or decreased by 1/2% per month of difference with the 65-year anniversary date, depending on whether the person applies for the pension before or after the age of 65. At March 31, 2002, the maximum monthly pension payable at the age of 65 was $788.75.

Surviving spouse's benefits

In the event of death, the surviving spouse is entitled to a pension determined according to the amount contributed to the Plan by the deceased during at least one-third of the contributory period (minimum of three years; maximum of ten years). The amount of this pension varies mainly according to the surviving spouse's age and the pensionable earnings and contributions of the deceased. At March 31, 2002, the maximum monthly pension payable to a surviving spouse was $695.37.

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002
(in thousands of dollars)

2. DESCRIPTION OF PROGRAMS ADMINISTERED BY THE RÉGIE (cont'd)

I) QUÉBEC PENSION PLAN (cont'd)

Disability pension

A disability pension is payable to any disabled contributor subject to the provisions of the Act respecting the Québec Pension Plan. The amount of the pension varies according to the gains and contributions of the disabled person. At March 31, 2002, the maximum monthly pension payable to a disabled contributor was $956.02.

Benefits - pensions payable to the children of disabled contributors and to orphans

At March 31, 2002, the amount of monthly benefits payable to each dependent child or orphan of a disabled or deceased contributor was $58.35.

Death benefits

Death benefits are payable first to the person who paid the funeral expenses, provided that person applies for the benefits within 60 days following the contributor's death. After 60 days, the benefit is payable to qualified applicants within the meaning of the Act respecting the Québec Pension Plan. The amount of this benefit was set at $2 500 in January 1998 pour for all contributors meeting Plan requirements.

Benefit indexation

Pensions are indexed annually to the average Canadian consumer price index. On January 1, 2002, the rate of indexation was 3.0%.

II) SUPPLEMENTAL PENSION PLANS ACT

Pursuant to the Supplemental Pension Plans Act and the Act respecting supplemental pension plans, the Régie is responsible for ensuring that pension plans are administered and operated according to these acts. Its mandate includes encouraging financial planning for retirement, in particular by promoting the establishment and improvement of supplemental pension plans. The monitoring fund is comprised of the fees paid into it by the supplemental pension plans.

III) FAMILY BENEFIT PROGRAM

The Régie administers the family benefits program under the Act respecting family benefits. The Régie deals with customer relations and the payment of allowances.

A family allowance is paid to people with dependent children under age 18. The amount varies according to the type of family (single-parent or two-parent), the number of eligible children and household income in the previous year. An allowance is also paid for eligible handicapped children. As at March 31, 2002, the amount of this allowance is $119.22 a month.

The allowance for newborn children provided for in the Family Allowances Act has been maintained for children born prior to October 1, 1997.

IV) PARENTAL INSURANCE PLAN

The Parental Insurance Plan, which is not yet in force, falls under the Gouvernement du Québec's family policy. The purpose of this plan is to support parents caring for newborn or adopted children by facilitating access to maternity or parental leave and awarding more generous benefits.

3. ACCOUNTING POLICIES

The financial statements of the Régie were prepared by the Régie's management in accordance with the accounting policies disclosed below. These statements include amounts based on best estimates and judgements.

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002
(in thousands of dollars)

3. ACCOUNTING POLICIES (cont'd)

Fixed assets

Fixed assets are shown at acquisition cost. Computer systems development includes capitalized direct labour costs and other direct costs.

Fixed assets are depreciated according to the straight-line method over their estimated service lives at the following rates:

Office furniture and equipment	20% and 33 1/3%
Data processing equipment and software	20% and 33 1/3%
Automotive equipment	33 1/3%
Computer	33 1/3%
Office automation equipment	20%
Computer systems development	20%

Leasehold improvements are amortized according to the straight-line method over the remaining term of the lease.

Administrative expenses

Administrative expenses are recorded on the accrual basis.

Pension plans

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the Régie lacks sufficient information to apply the accounting procedure for defined-benefit plans.

QUÉBEC PENSION PLAN FUND

Amounts entrusted to the Caisse de dépôt et placement du Québec

Participation deposits are recorded at market value, which is established on the basis of the fair value of units, as determined by the Caisse de dépôt et placement du Québec.

Contributions to the Plan

The Ministère du Revenu du Québec collects the contributions for the Régie and regularly pays them to the latter. These amounts are provisional and subject to verification and correction. These contributions are recorded according to the best estimate at the fiscal year end.

The Régie records Plan contributions on an accrual basis. Where applicable, adjustments are posted to the fiscal year in which they are known.

Net investment income

Interest on pensions and benefits, calculated in accordance with the Act respecting the Québec Pension Plan, is recorded on an accrual basis.

The Régie records interest and penalties earned when notices of assessment are issued on an accrual basis. These amounts represent best estimates. They are provisional and subject to correction. Where applicable, adjustments are posted to the fiscal year in which they are known.

Other financial expenses and investment income are recorded on the accrual basis.

Pensions and benefits paid

Pensions and benefits are recorded on an accrual basis.

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002
(in thousands of dollars)

3. ACCOUNTING POLICIES (cont'd)

QUÉBEC PENSION PLAN FUND

Reimbursement of social aid benefits

Reimbursement of social aid benefits is recorded on an accrual basis.

OTHER FUNDS

Fee revenues

The revenue that the Supplemental Pension Plans Monitoring Fund receives from the collection of fees and penalties is recorded on an accrual basis.

Implementation costs

The costs of implementing the Family Benefits Program and the Parental Insurance Plan include direct costs, interest and a share of general and administrative expenses. These costs are amortized on a straight-line basis over a period of five years, beginning on the same the date as the commencement of the corresponding program.

4. CHANGE IN ACCOUNTING POLICIES

QUÉBEC PENSION PLAN FUND

Pensions and benefits

Beginning with this fiscal year, pensions and benefits and the related interest are recorded on an accrual basis. Previously, they were posted to operations for the fiscal year in which they were paid.

This change, applied prospectively, changes the following financial statement items:

	2002
Pensions and benefits	2 843
Interest on pensions and benefits	398
Increase (decrease) in net assets of the Plan	(3 241)
Accounts payable	3 241
Fund balance – Net assets of the Plan at year-end	(3 241)

SUPPLEMENTAL PENSION PLANS MONITORING FUND

Fee income

Beginning this fiscal year, revenue from fees is recorded on an accrual basis. Previously, it was posted to operations for the fiscal year in which it was cashed.

This change, applied prospectively, changes the following financial statement items:

	2002
Fee income	94
Bad debts	23
Excess of revenue over expenditure	71
Accounts receivable	71
Closing fund balance	71

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002
(in thousands of dollars)

5. CORRECTION TO THE PROVISION FOR SICK LEAVE AND VACATION TIME

The calculation enabling the obligations resulting from sick leave and vacation time accumulated by Régie employees at the end of previous fiscal years to be established was corrected. This correction was recorded retroactively and increased (decreased) the following financial statement items:

QUÉBEC PENSION PLAN FUND

	2001	2002
Administrative expenses	(177)	185
Increase (decrease) in net assets of the Plan	177	(185)
Allowance for sick leave and vacation pay	3 006	3 183
Fund balance – Net assets of the Plan at year-end	(3 006)	(3 183)

SUPPLEMENTAL PENSION PLANS MONITORING FUND

	2001	2002
Salaries and fringe benefits	6	1
Excess of revenue over expenditure	(6)	(1)
Allowance for sick leave and vacation pay	154	148
Closing fund balance	(154)	(148)

FUND FOR THE ADMINISTRATION OF THE FAMILY BENEFIT PROGRAM

	2001	2002
Contribution from the Gouvernement du Québec	(26)	(24)
Salaries and fringe benefits	(26)	(24)
Owed to the Gouvernement du Québec	(136)	(162)
Allowance for sick leave and vacation pay	136	162

6. ADMINISTRATIVE EXPENSE SHARING BETWEEN THE VARIOUS FUNDS ADMINISTERED BY THE RÉGIE DES RENTES DU QUÉBEC

The means used to divide administrative costs among the various funds administered by the Régie is established by attributing the direct costs for each fun to that fund and distributing indirect costs based on the efforts the Régie planned to devote to each fund.

7. EXPENSES RELATED TO CONTRIBUTION COLLECTION BY THE MINISTÈRE DU REVENU DU QUÉBEC

According to the Act respecting the Québec Pension Plan, the Ministère du Revenu du Québec is the agency mandated to collect the contributions to the Plan. In the context of this mandate, the Department invoices the Régie for administrative expenses and other expenses it incurs for accounts receivable. These expenses have been determined by Order-in-Council based on the expenses actually incurred by the Ministère du Revenu du Québec.

Administrative costs were analyzed in fiscal 2001-2002. This re-evaluation allowed 4 839 503 dollars posted to the fiscal year's operations to be recovered. Discussions are currently under way to update the costs inherent in the accounts receivable.

7. EXPENSES RELATED TO CONTRIBUTION COLLECTION BY THE MINISTÈRE DU REVENU DU QUÉBEC (cont'd)

	2002	2001	2000
Administrative expenses	7 752	14 700	14 455
Interest paid by the Ministère du Revenu du Québec	9 473	9 473	8 719
Interest earned by the Ministère du Revenu du Québec when collection accounts receivable	(4 060)	(4 060)	(3 737)
Bad debts linked to contributions not collected	13 920	13 920	12 812
	27 085	34 033	32 249

8. NET INVESTMENT (LOSS) INCOME OF THE QUÉBEC PENSION PLAN FUND

	2002	2001	2000
Revenue			
Amounts deposited with the General Fund of the Caisse et placement du Québec			
Revenue from participation deposits	784 214	862 994	713 714
Interest on demand deposits	1 803	2 812	6 983
Interest on term deposits			4 491
	786 017	865 806	725 188
Interest and penalty earnings on the issue of contribution notices	10 545	1 698	13 373
Interest earnings realized by the Ministère du Revenu du Québec on the collection of receivables (Note 7)	4 060	4 060	3 737
Interest on bank deposits	78	104	25
	800 700	871 668	742 323
Expenditure			
Interest on borrowings	(61)	(56)	(476)
Interest on advances from the Caisse de dépôt et placement du Québec	(5 316)	(9 870)	(2 523)
Interest on pensions and benefits	(1 545)	(2 456)	(1 821)
Interest borne by the Ministère du Revenu du Québec (Note 7)	(9 473)	(9 473)	(8 719)
	784 305	849 813	728 784
Change in the market value of funds entrusted to the Caisse de dépôt et placement du Québec			
Change in the market value of participation deposits	(995 618)	(2 406 175)	1 085 815
Net gain on sale of investments	137 615	795 695	1 266 100
	(858 003)	(1 610 480)	2 351 915
	(73 698)	(760 667)	3 080 699

9. ADMINISTRATIVE EXPENSES OF THE QUÉBEC PENSION PLAN FUND

	2002	2001	2000
Salaries and fringe benefits	39 246	37 248	36 217
Transportation and communications	4 179	4 165	4 287
Professional services	6 449	4 809	3 725
Rent	4 160	4 061	3 680
Maintenance and repairs	1 395	1 376	1 178
Supplies	515	457	369
Equipment	72	91	89
Other expenses	512	578	467
	56 528	52 785	50 012
Expenses related to collection of contributions by the Ministère du Revenu du Québec (Note 7)	7 752	14 700	14 455
Participation in the financing of the Tribunal administratif du Québec	1 760	1 181	1 060
Administration fees charged by the Société immobilière du Québec	70	70	68
Overpaid pensions and benefits	933	2 749	1 091
Bad debts	120	162	213
Depreciation of fixed assets	6 948	5 576	4 682
	74 111	77 223	71 581

For the fiscal year ended March 31, 2002, in addition to these administrative costs, the Régie incurred expenses equalling $228 000 (2001: $2 050 000) for expenses incurred by the "Family Internet hook-up program". These amounts are reimbursed by the Gouvernement du Québec.

10. AMOUNTS FROM THE QUÉBEC PENSION PLAN FUND ENTRUSTED TO THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

	2002	2001	2000
Deposits with the General Fund of the Caisse de dépôt et placement du Québec			
Participation deposits	17 943 222	17 762 322	18 301 375
Investment income receivable	94 061	98 754	482 228
	18 037 283	17 861 076	18 783 603

Participation deposits with the General Fund of the Caisse de dépôt et placement du Québec are expressed in units. Units may be refunded on advance notice in accordance with the terms of payment of the Caisse de dépôt at the fair value of the net equity of the General Fund at the end of each month. At March 31, 2002, the Régie owned 20 786 364 participation units (2001: 19 445 394; 2000: 17 585 700).

Cost of units	17 095 104	15 918 586	14 051 463

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002
(in thousands of dollars)

11. FIXED ASSETS

	2002			2001	2000
	Cost	Accumulated depreciation	Net	Net	Net
Québec Pension Plan fund					
Office furniture and equipment	5 942	4 568	1 374	1 297	1 365
Data procession equipment and software	15 570	12 524	3 046	2 725	2 419
Automotive equipment	55	55			
Computer	2 767	2 340	427	773	256
Office automation equipment	13 335	10 041	3 294	3 437	3 530
Leasehold improvements	2 566	1 871	695	586	209
Computer systems development	49 705	38 342	11 363	10 334	10 046
	89 940	69 741	20 199	19 152	17 825
Supplemental Pension Plans Monitoring Fund					
Computer systems development	1 460	767	693	784	887
Fund for the administration of the Family Benefits Program					
Office furniture and equipment	55	55		9	19
Office automation equipment	174	174		35	69
Computer systems development	25 430	8 337	17 093	17 433	9 235
	25 659	8 566	17 093	17 477	9 323
Parental Insurance Plan fund					
Office furniture and equipment	46		46	46	46
Office automation equipment	50		50	50	50
Computer systems development	7 104		7 104	6 780	3 941
	7 200		7 200	6 876	4 037

Acquisitions for the year are:

	Acquisitions
Québec Pension Plan fund	9 560
Supplemental Pension Plans Monitoring Fund	168
Fund for the administration of the Family Benefits Program	2 826
Parental Insurance Plan fund	324

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002
(in thousands of dollars)

12. IMPLEMENTATION COSTS

	2002			2001	2000
	Cost	Accumulated depreciation	Net	Net	Net
Fund for the administration of the Family Benefits Program	941	862	79	267	455
Parental Insurance Plan fund	2 028		2 028	2 028	2 028

13. CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC ADVANCES

Caisse de dépôt et placement du Québec advances are not guaranteed and are limited to $650 million. They bear interest at the demand deposit rate established daily plus 0.05% and mature on January 6, 2005. At March 31, 2002, the interest rate was 2.08% (2001: 5.20%).

14. NOTES PAYABLE

	2002	2001	2000
Fund for the administration of the Family Benefits Program			
Short-term borrowing	1 446	17 833	10 154
Long-term borrowing	15 665		
	17 111	17 833	10 154
Parental Insurance Plan Fund			
Short-term borrowing	9 315	8 991	6 012
	9 315	8 991	6 012

Short-term borrowings

Borrowings on notes from the Financing Fund of the Gouvernement du Québec at 2.20%, will mature on May 1, 2002. These borrowings are contracted for the implementation and development of systems related to the Family Benefits Program and the Parental Insurance Plan, with the Régie as the mandatory corporation.

As concerns the short-term borrowing contracted for the Parental Insurance Plan, no repayment terms have been established, given that the Plan's effective date has not yet been set. Repayments will be made as of this date.

Long-term borrowings

The loan on a note from the Financing Fund of the Gouvernement du Québec at 4.741%, matures on June 1, 2006. This borrowing, of an initial amount of $16 765 650 is the conversion of a portion of the short-term borrowing contracted in the context of the implementation and development of systems for the Family Benefits Program, for which the Régie acts as the Government's agent.

14. NOTES PAYABLE (cont'd)

Gouvernement du Québec guarantee

To guarantee the payment of principal and interest, the Minister of State for Child and Family Welfare is authorized by the Government, after ensuring that the funds concerned cannot legally discharge their obligations, to pay the Régie the required sums.

Payments of principal on the long-term borrowing for the fund for the administration of family assistance programs for the next five fiscal years are as follows:

2003	$3 407 697
2004	3 572 813
2005	3 745 930
2006	3 927 434
2007	1 011 240

15. FRINGE BENEFITS

Pension plans

The staff members of the Régie participate in the Government and Public Employees Retirement Plan (RREGOP), the Civil Service Superannuation Plan (CSSP) and the Pension Plan of Management Personnel (PPMP). These are interenterprise defined-benefit plans and include guaranteed payments upon retirement and death.

The Régie's contributions charged to the year-end statement, based on the contribution rates set for regular service, amount to $1 651 415 (2001: $1 398 380, 2000: $2 117 207). The Régie's liability towards these government plans is restricted to its contributions as an employer.

16. COMPARATIVE FIGURES

Certain 2000 and 2001 figures were reclassified for consistency with the presentation adopted in 2002.

RÉGIE DES RENTES DU QUÉBEC

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheets of the Québec Pension Plan fund, the Supplemental Pension Plans Monitoring Fund, the fund for the administration of the Family Benefits Program and the Parental Insurance Plan fund of the Régie de rentes du Québec as at March 31, 2002 and the statement of changes in net assets of the Québec Pension Plan fund, the statement of revenue and expenditure and fund balance of the Supplemental Pension Plans Monitoring Fund and the statement of revenue and expenditure of the fund for the administration of the Family Benefits Program for the year then ended. These financial statements are the responsibility of Régie management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation

In my opinion, these financial statements present, in all material respects, the financial position of the Régie's funds as at March 31, 2002 and the changes in net assets of the Québec Pension Plan fund and the revenue and expenditure of the other funds for the year then ended in accordance with the accounting policies disclosed in Note 3. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, with the exception of the changes to the accounting treatment of the pensions and benefits of the Québec Pension Plan and of the fee income of the Supplemental Pension Plans Monitoring Fund disclosed in Note 4, these policies were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, May 15, 2002

RÉGIE DU CINÉMA
(R.S.Q., c. C-18.1)

REVENUE AND EXPENDITURE AND SURPLUS
for the year ended March 31, 2002

	2002 (12 months)	2001 (3 months)
REVENUE		
Examination fees:		
Film classification requests	$2 287 125	$507 913
Licence applications	44 772	10 808
Licences	681 450	139 339
Monitoring of video material	7 002 667	1 719 006
Other	28 309	15 637
	10 044 323	2 392 703
EXPENDITURE		
Salaries and fringe benefits	2 793 403	648 836
Transportation and communications	135 646	38 179
Professional, administrative and other services	290 604	129 979
Rent	368 128	94 962
Maintenance and repairs	56 589	28 713
Materials and supplies	143 869	18 671
Depreciation of fixed assets	117 716	28 297
Other	1 673	308
	3 907 628	987 945
EXCESS REVENUE OVER EXPENDITURE	6 136 695	1 404 758
SURPLUS, BEGINNING OF YEAR	1 404 758	
SURPLUS, END OF YEAR	$7 541 453	$1 404 758

RÉGIE DU CINÉMA

BALANCE SHEET
as at March 31, 2002

	2002	2001
ASSETS		
Current assets		
Cash on hand	$8 069 777	$1 845 440
Accounts receivable and accrued interest	107 015	60 997
Gouvernement du Québec receivable	269 485	269 690
	8 446 277	2 176 127
Gouvernement du Québec receivable		269 485
Fixed assets (Note 3)	440 387	328 907
	$8 886 664	$2 774 519
LIABILITIES		
Current liabilities		
Accounts payable and accruals	$275 647	$281 575
Provision pour vacation time	245 825	202 881
Owing to the Gouvernement du Québec	29 151	118 698
Revenues collected in advance	438 289	403 160
	988 912	1 006 314
Provision for sick leave (Note 4)	356 499	363 447
	1 345 411	1 369 761
SURPLUS (Note 5)	7 541 253	1 404 758
	$8 886 664	$2 774 519

CONTINGENCY (Note 6)

On behalf of the Régie,
Jeanne L. Blackburn
Jean-Pierre Gagnon

RÉGIE DU CINÉMA

NOTES TO FINANCIAL STATEMENT
March 31, 2002

1. CONSTITUTION AND PURPOSE

The Régie du cinéma is a body established by the Cinema Act (R.S.Q., c. C-18.1). Its functions are:

- to classify films;
- to publish regularly, by such means as it considers appropriate, information on the films classified;
- to periodically hold consultations on the classification of films;
- to issue, renew, suspend or revoke exhibitors' or distributors' licences;
- to supervise and monitor the sale, leasing, lending or exchange of video material, and to issue filing certificates;
- to supervise the administration of the chapter on cinema control and supervision and the regulations made under it and to inquire into its operation and how it is being complied with.

Under the Income Tax Act (R.S.C. 1985, c. 1,5th supplement) and the Taxation Act (R.S.Q., c. I-3), the Régie is not subject to income tax.

2. ACCOUNTING POLICIES

The financial statements of the Régie were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements. The statement of cash flows is not shown as it would not provide any useful supplementary information regarding the Régie's cash flow during the year.

Fixed assets

Fixed assets are recorded at cost and amortized over their service life using the straight-line method:

Equipment	5 years and 10 years
Computer equipment	3 years
Computer development	5 years

Pension plans

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the Régie lacks sufficient information to apply the accounting procedure for defined-benefit plans.

3. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net	Net
Material and equipment	$19 317	$3 684	$15 633	$12 525
Computer equipment	217 332	89 094	128 238	132 642
Computer development	349 518	53 002	296 516	183 740
	$586 167	$145 780	$440 387	$328 907

The acquisition of fixed assets for the fiscal year totalled $229 195 (2001: $5 844), $155 177 of which was slated for website development, which is not yet amortized since the site only became operational on March 31, 2002.

4. FUTURE FRINGE BENEFITS

Pension plans

The staff members of the Régie participate in the Government and Public Employees Retirement Plan (RREGOP), the Civil Service Superannuation Plan (CSSP) or the Pension Plan of Management Personnel (PPMP). These are interenterprise defined-benefit plans and include guaranteed payments upon retirement and death.

The Régie's contributions posted to operations for the fiscal year totalled $77 105 (2001(3 months): $16 859). The Régie's liability towards these Government plans is restricted to its contributions as an employer.

Provision for sick leave

	2002 (12 months)	2001 (3 months)
Balance at beginning	$363 447	$351 611
Expenditures for the year	72 910	40 462
Benefits paid during the year	(79 858)	(28 626)
Balance at end	$356 499	$363 447

5. SURPLUS

As stipulated in section 144.of the Act respecting the cinema (R.S.Q., c. C-18.1), the amounts received by the Régie must be used to pay its obligations. Any surplus is paid into the Consolidated Revenue Fund on the dates and in the amounts determined by the Government.

6. CONTINGENCY

The Régie was sued for $940 000 in 1999. In management's opinion, it is impossible to forecast the outcome of this dispute.

7. ADVANCES FROM THE MINISTER OF FINANCE

The Régie is authorized, under a Gouvernement du Québec Order-in-Council, to ask for one or more advances whose overall capital may not exceed $300 000 to offset its short-term lack of liquid assets, Its advances bear interest at the National Bank of Canada prime rate and mature on March 31, 2006. At March 31, 2002, the Régie had not made use of these advances.

8. RELATED PARTY TRANSACTIONS

The Régie has entered into an exchange of service agreement with the Ministère de la Culture et des Communications. Under this agreement, the Régie is mandated to inspect accredited bookstores in Québec and, in exchange, the Department agrees to provide the Régie with all services under its jurisdiction in the fields of human resource management. This exchange is not reflected in the financial statements.

In addition to the related party transactions disclosed in its financial statements, the Régie is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Régie did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

RÉGIE DU CINÉMA

MANAGEMENT'S REPORT

The financial statements of the Régie du cinéma were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements. Management carries out periodic audits to ensure that the Régie's internal monitoring is adequate, ongoing and applied uniformly.

The Régie recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The Auditor General of Québec has audited the Régie's financial statements in accordance with generally the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the audit committee to discuss any matter related to the audit.

Jeanne L. Blackburn
President

Jean-Pierre Gagnon
Director, Administration

Montréal, July 29, 2002

RÉGIE DU CINÉMA

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Régie du cinéma as at March 31, 2002 and the statements of revenue and expenditure and surplus flows for the three-month period then ended. These financial statements are the responsibility of Régie management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Régie's financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these accounting principles have been applied on a basis consistent with that of the preceding year.

Compliance with a regulation

The regulation governing examination and other fees payable under the Act respecting the cinema (R.S.Q., c. C-18.1) provides for fees of $0.50 to obtain an attestation of deposit certificate. Since April 1, 2001, following the Budget Speech, the Régie charges $0.40 per attestation, which is contrary to the regulation approved by the Government. No legal regulation allows fee decreases or increases to be applied as soon as they are announced by the Minister of Finance. Moreover, the Act respecting the cinema does not allow this regulation to be applied retroactively. Thus, the Régie deprives itself of $1.6 million in revenues from "monitoring of video material" for the fiscal year ended March 31, 2002.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, July 29, 2002

SIDBEC
(R.S.Q., c. E-14)

INCOME AND DEFICIT
for the year ended December 31, 2001
(in thousands of dollars)

	2001	2000
REVENUE		
Interest	31	38
Adjustment of the selling price for the subsidiary sold in 1994 (recovery of dumping fee)		300
	31	338
EXPENDITURE		
Interest on debts guaranteed by the shareholder	267	207
Administrative expenses	62	55
Fees for contesting countervailing duties	74	
Amortization of deferred financing costs	26	26
	429	288
NET GAIN (NET LOSS)	(398)	50
DEFICIT, BEGINNING OF YEAR	(692 604)	(692 654)
DEFICIT, END OF YEAR	(693 002)	(692 604)

The notes are an integral part of the financial statements.

SIDBEC

BALANCE SHEET
as at December 31, 2001
(in thousands of dollars)

	2001	2000
ASSETS		
Cash on hand	11	37
Short-term investments, at cost, 5% maturing in February 2002	493	564
Commodity taxes and interest accrued	11	6
Deferred financing costs (Note 3)	6	32
	521	639
LIABILITIES		
Accrued expenses	98	84
Debts guaranteed by shareholders (Note 4)	5 075	5 075
	5 173	5 159
SHAREHOLDER'S EQUITY (NEGATIVE)		
Capital stocks (Note 5)	645 894	645 894
Contributed surplus (Note 6)	42 456	42 190
Deficit	(693 002)	(692 604)
	(4 652)	(4 520)
	521	639

The notes are an integral part of the financial statements.

On behalf of the Board of Directors,
Charles E. Beaulieu, Administrator
Robert Després, Administrator

SIDBEC

CASH FLOWS
for the year ended December 31, 2001
(in thousands of dollars)

	2001	2000
OPERATING ACTIVITIES		
Net gain (Net loss)	(398)	50
Non-cash items		
Amortization of deferred financing costs	26	26
Changes in assets and liabilities (Note 2)	9	(70)
Cash flows related to operating activities	(363)	6
FINANCING ACTIVITIES		
Shareholder contribution and cash flows related to financing activities	266	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(97)	6
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	601	595
CASH AND CASH EQUIVALENTS, END OF YEAR	504	601
CASH AND CASH EQUIVALENTS		
Cash on hand	11	37
Short-term investments	493	564
	504	601

The notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS
as at December 31, 2001
(in thousands of dollars)

1. GOVERNING STATUTES AND NATURE OF OPERATIONS

Incorporated under the Companies Act (Québec) and governed in certain respects by a special act of the Province of Québec, Sidbec manages the assets and liabilities arising from the termination of operations in 1994. Sidbec is exempt from federal and provincial income tax.

2. CASH FLOW INFORMATION

Changes in assets and liabilities are as follows:

	2001	2000
Commodity taxes and interest accrued	(5)	15
Accrued interest	14	(85)
	9	(70)

Cash flows related to interest on operating activities are as follows:

	2001	2000
Interest paid	267	291

3. DEFERRED FINANCING COSTS

Deferred financing costs are amortized using the straight-line method over a three-year period, until April 2002.

4. DEBTS GUARANTEED BY THE SHAREHOLDER

The Gouvernement du Québec has guaranteed the payment of principal and interest on the following debts:

	2001	2000
Loans, 5.25%, maturing April 1, 2002	5 075	5 075

5. CAPITAL STOCK

	2001	2000
Authorized:		
80 000 000 common shares with a par value of $10 each		
Issued and fully paid:		
64 589 398 common shares	645 894	645 894

6. SURPLUS EQUITY

The Corporation received $266 400 from the shareholders in order to meets its obligations.

SIDBEC

AUDITORS' REPORT

To Sidbec shareholders

We have audited Sidbec's balance sheet as at December 31, 2001, the statement of income and deficit and the cash flow statement for the year then ended. These financial statements are the responsibility of Sidbec management. Our responsibility consists in expressing an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with auditing standards that are generally accepted in Canada. They require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In our opinion, these financial statements present fairly, in all material respects, Sidbec's financial position as at December 31, 2001 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada.

Raymond, Chabot, Grant, Thornton
Chartered Accountants

Montréal, January 17, 2002

SOCIÉTÉ DE DÉVELOPPEMENT DE LA BAIE JAMES
(R.S.Q., c. D-8)

INCOME
for the year ended December 31, 2001

	2001	2000 (Note 3)
Revenue (Note 4)		
Service delivery (Note 5)	$13 174 636	$11 224 116
Sales	3 384 201	5 291 290
Rent	1 494 294	1 477 304
Management income	1 457 389	1 300 470
Investment income	283 244	316 901
Environmental fund (Note 16)	1 503 664	
Other income	70 518	30 082
	21 367 946	19 640 163
Expenditures (Note 4)		
Services to entrepreneurs	9 881 204	9 274 163
Salaries and fringe benefits	3 398 975	3 068 497
Purchases	1 480 660	1 302 786
Maintenance and repairs	1 105 329	1 256 151
Electricity	629 588	641 397
Taxes, licences and permits	609 195	563 156
Rental costs	242 011	278 297
Loss in value of investments	575 002	490 000
Staff-related expenses	336 628	386 517
Insurance	122 865	107 662
Communications	185 264	205 641
Advertising	124 579	85 380
Office expenses	58 934	46 689
Roads equipment	505 121	407 802
Doubtful accounts	172 651	4 494
Contribution to partners	(258 956)	380 000
Depreciation of fixed assets	426 943	340 626
Professional fees	304 301	247 227
Other expenditures	744 906	384 155
Interest and bank charges	235 014	237 428
Interest on long-term debt	52 468	56 819
	20 932 682	19 764 887
NET INCOME (LOSS) (Note 4)	$435 264	$(124 724)

DEFICIT
for the year ended December 31, 2001

	2001	2000
DEFICIT, BEGINNING OF YEAR		
Previously established balance	$(61 361 076)	$(61 227 733)
Accounting change (Note 3)	273 161	264 542
Adjusted balance	(61 087 915)	(60 963 191)
Net income (loss)	435 264	(124 724)
DEFICIT, END OF YEAR	$(60 652 651)	$(61 087 915)

SOCIÉTÉ DE DÉVELOPPEMENT DE LA BAIE JAMES

BALANCE SHEET
as at December 31, 2001

	2001	2000 (Note 3)
ASSETS		
Current assets		
Cash on hand	$2 491 625	
Accounts receivable (Note 6)	3 665 818	$4 283 833
Inventories (Note 7)	179 161	194 537
Prepaid expenses	12 156	12 067
	6 348 760	4 490 437
Investments (Note 8)	8 814 366	4 512 527
Fixed assets (Note 9)	2 387 770	2 234 634
Assets in the form of accrued benefits (Note 14)	209 800	273 161
	11 411 936	7 020 322
	$17 760 696	$11 510 759
LIABILITIES		
Current liabilities		
Bank overdraft		$309 825
Short-term borrowings (Note 10)		2 525 000
Accounts payable and accruals	$4 231 768	4 015 648
Holdbacks on contracts	294 079	145 701
Instalment on long-term debt (Note 11)	40 000	40 000
	4 565 847	7 036 174
Long-term debt (Note 11)	720 000	760 000
	5 285 847	7 796 174
SHAREHOLDER'S EQUITY		
Capital stock (Note 12)	68 825 000	60 500 000
Contributed surplus	4 302 500	4 302 500
Deficit	(60 652 651)	(61 087 915)
	12 474 849	3 714 585
	$17 760 696	$11 510 759

CONTINGENCIES (Note 16)
COMMITMENTS (Note 17)

On behalf of the Board of Directors,
Michel Garon, Director
Jean-Claude Simard, Director

SOCIÉTÉ DE DÉVELOPPEMENT DE LA BAIE JAMES

CASH FLOWS
for the year ended December 31, 2001

	2001	2000
OPERATING ACTIVITIES		
Net income (loss)	$435 264	$(124 724)
Items not affecting liquid assets:		
Depreciation of fixed assets	426 943	340 626
Gain on disposal of fixed assets	(29 344)	(19 811)
Loss in value of investments	575 002	490 000
Gain on disposal of investment	(7 787)	
Change in non-cash elements linked to operations (Note 13)	997 800	(70 335)
Pension expenses	63 361	(8 619)
Cash flows provided by operating activities	2 461 239	607 137
INVESTMENT ACTIVITIES		
Acquisition of investments	(8 005 001)	(814 520)
Proceeds from disposal of investments	3 135 948	
Acquisition of fixed assets	(1 277 080)	(551 677)
Proceeds from disposal of fixed assets	48 318	33 109
Contribution to fixed assets – Hydro-Québec	402 089	2 585
Contribution to fixed assets – Transports Canada	182 142	
Contribution to fixed assets – MIC	93 795	
Cash flows used for investment activities	(5 419 789)	(1 330 503)
FINANCING ACTIVITIES		
Short-term borrowing	(2 525 000)	13 000
Issue of common shares	8 325 000	500 000
Loan repayment	(40 000)	
Cash flows provided by financing activities	5 760 000	513 000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2 801 450	(210 366)
BANK OVERDRAFT, END OF YEAR	(309 825)	(99 459)
CASH ON HAND (BANK OVERDRAFT), END OF YEAR	$2 491 625	$(309 825)

SOCIÉTÉ DE DÉVELOPPEMENT DE LA BAIE JAMES

NOTES TO FINANCIAL STATEMENTS
December 31, 2001

1. CONSTITUTION AND PURPOSE

The Société de développement de la Baie James (la Société) is established under the James Bay Region Development Act (R.S.Q., c. D-8). All of its shares are held by the Gouvernement du Québec. The purpose of the Société is to promote, from a sustainable development viewpoint, the territory's economic development, development and exploitation of natural resources, other than hydroelectric. It may initiate, support and participate in projects targeting these goals. Its mission also includes developing the territory under municipal jurisdiction where development and land use planning is concerned.

2. ACCOUNTING POLICIES

The Société's financial statements were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined according to the first in, first out (FIFO) method.

Investments

Investments are recorded at acquisition cost less the decline in value, if deemed permanent.

Fixed assets

Fixed assets are recorded at cost less contributions received from third parties and are depreciated over their estimated useful lives on a straight-line basis over the following terms:

Buildings and improvements to buildings owned for rental purposes	5, 10 and 20 years
Modular homes	10 years
Furniture, fixtures, equipment and infrastructures	5 years
Vehicles	3 years

Employee's fringe benefits

Th Société records its obligations resulting from an employee fringe benefit plan and related expenses minus the plan's assets. To do so, the Société has adopted the following policies:

- The cost of retirement benefits and additional retirement benefits earned by employees is established through actuarial calculations using the accumulated benefit method, based on management's most likely hypotheses concerning plan investment yield forecasts, salary progression and mandatory employee retirement age.
- For the purposes of calculating the yield forecast for plan assets, these assets are evaluated at their fair value.

Cash flows

The Société's policy consists in presenting under cash and cash equivalents bank balances including bank overdrafts whose balances often fluctuate between an overdraft and available funds.

3. ACCOUNTING CHANGE

Accounting standard – future fringe benefits

During the fiscal year, the Société adopted the accrual method for recording the future fringe benefits related to the defined-benefit pension plan in which employees participate. Previously, these costs were charged to operations as the amounts were paid. This change, applied retroactively with an adjustment of the figures for the previous fiscal year, increased (decreased) the following financial statement items as at December 31:

	2001	2000
In statement of operations		
Salaries and fringe benefits	$63 360	$(8 619)
In balance sheet		
Assets in the form of accrued benefits	209 800	273 161
Deficit	(209 800)	(273 161)

4. NET INCOME (LOSS) BY ACTIVITIES

	2001			2000
	Revenue	Expenses	Net gain (loss)	Net gain (loss)
Head office	$51 771	$1 401 224	$(1 349 453)	$(968 130)
Services	14 180 601	13 185 885	994 716	846 361
Development and investment	265 202	1 339 224	(1 074 022)	(825 869)
Real estate	1 444 491	1 484 309	(39 818)	18 252
Hotel and petroleum industry	3 690 245	3 148 949	541 296	529 953
Special	1 735 636	373 091	1 362 545	274 709
	$21 367 946	$20 932 682	$435 264	$(124 724)

The Société records its revenue and expenditure by sector of activity, including the following:

Head office activities

- Management fees earned
- Interest earnings
- Interest expenses
- Expenses related to the Matagami, Chibougamau and Radisson offices
- Expenses related to administrative services, human resources and data processing
- Expenses related to the board of directors, the presidency and the corporate secretary's office
- Communication expenses

Service activities

- Management of transportation infrastructures

Development and investment activities

- Mining claims management
- Management and income investments
- Recovery of certain expenses

4. NET INCOME (LOSS) BY ACTIVITIES (cont'd)

Development and investment activities (cont'd)

- Gain or loss on disposal of investments
- Gain or loss on disposal of fixed assets
- Economic development projects
- Expenses related to the economic development and investment
- Interest expenses related to investments

Real estate activities

- Building operations

Real estate, hotel and petroleum industry activities

- Management of Auberge Radisson
- Operation of km 381 rest stop

Special activities

- Operation of km 257 rest stop
- Airport Infrastructure Assistance Program

5. SERVICE DELIVERY

The Société provides transportation infrastructure management services de transport to related parties as follows:

	2001	2000
Hydro-Québec	$11 441 083	$9 324 721
Ministère des Transports	1 733 553	1 899 395
	$13 174 636	$11 224 116

6. ACCOUNTS RECEIVABLE

	2001	2000
Accounts receivable		
Hydro-Québec	$2 358 903	$2 285 251
Ministère des Transports	436 693	469 108
Transport Canada – Airport Capital Assistance Program		256 162
Other	864 247	1 157 644
	3 659 843	4 168 165
Allowance for doubtful accounts	143 502	4 495
	3 516 341	4 163 670
Sales tax	149 477	120 163
	$3 665 818	$4 283 833

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001

7. INVENTORIES

	2001	2000
Petroleum products	$123 133	$153 895
Other	56 028	40 642
	$179 161	$194 537

8. INVESTMENTS

	2001	2000
Shares in public corporations		
2 215 430 Class "A" shares of Ressources MSV Inc., converted into shares of Ressources Campbell inc. in 2001		$553 863
148 619 common shares of Arca Explorations Inc.	$1	1
542 958 common shares of Ressources Campbell Inc.	569 648	15 786
94 231 common shares of Ressources Murgor Inc.	24 500	24 500
100 000 common shares of Ressources Unifiées Oasis Inc	5 000	5 000
37 874 common shares of Corporation TGW	22 399	22 399
36 773 shares of nStein Technologies ceded during the fiscal year		1
358 333 common shares of McKenzie Bay International	500 000	
	1 121 548	621 550
Shares to a private company		
10 000 common shares of Ressources Oxford Inc.	1	1
50 000 Class "A" of Exploration minière des Premières Nations Corp.	1	1
Other shares in private companies	6 255 000	625 000
	6 255 002	625 002
Loans and advances		
Advances to Ressources MSV Inc., 8%		2 554 060
Convertible debentures of Ressources MSV inc. 8 %	1 250 000	
Interest receivable on convertible debentures of Ressources MSV inc.	50 000	
Advances to private companies, 8%, without repayment terms		549 935
Notes receivable from Hydro-Québec, interest-free, cashable in annual payments until 2008[1]	130 496	146 808
Notes receivable from individuals, 5 %, cashable in monthly payments ending in 2004	7 320	15 172
	1 437 816	3 265 975
	$8 814 366	$4 512 527

[1] Following Transport Canada's refusal to assume the renovation costs incurred for the La Grande Rivière airport in 1997 and 1998 under an airport immovables assistance plan, Hydro-Québec reimbursed $52 280 in 1999 and committed to reimbursing $163 120 over a period not to exceed 10 years. This deficit will be paid from the operating budget for the La Grande Rivière airport. In 2001, Hydro-Québec paid $16 312.

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001

8. INVESTMENTS (cont'd)

The market value of shares in public corporations as at December 31, 2001 is as follows:

	2001	2000
Ressources MSV Inc.		$199 389
Arca Explorations Inc.	$5 945	77 282
Ressources Campbell Inc.	179 177	9 400
Ressources Murgor Inc.	9 423	13 192
Ressources Unifiées Oasis Inc.	12 000	2 000
nStein Technologies		20 594
McKenzie Bay International	725 625	
Corporation TGW	5 681	88 866
	$937 851	$410 723

Following the merger of Ressources MSV inc., GéoNova Explorations inc. and Ressources Campbell inc., the stock option on 628 571 shares of Ressources MSV inc. was converted into a stock option on 153 310 shares of Ressources Campbell inc. at $1.435 by share maturing October 8, 2003. The market value per share of Ressources Campbell inc. at December 31, 2001 was $0.33.

9. FIXED ASSETS

	2001			
	Cost	Contributions [1]	Accumulated depreciation	Net
Land	$71 029			$71 029
Air terminal	6 595 574	$6 595 574		
Buildings and improvement to buildings owned for rental purposes	6 243 231	745 688	$4 146 994	1 350 549
Modular homes	1 519 403	639 554	438 967	440 882
Furniture and fixtures	2 415 410	881 425	1 317 040	216 945
Machinery and equipment	2 317 509	1 789 062	379 221	149 226
Vehicles	3 021 300	2 690 095	172 066	159 139
Infrastructures	91 000		91 000	
	$22 274 456	$13 341 398	$6 545 288	$2 387 770

	2000			
	Cost	Contributions [1]	Accumulated depreciation	Net
Land	$72 844			$72 844
Air terminal	6 595 574	$6 595 574		
Buildings and improvement to buildings owned for rental purposes	5 989 335	745 688	$3 955 534	1 288 113
Modular homes	1 440 972	639 554	372 162	429 256
Furniture and fixtures	2 012 550	641 237	1 266 776	104 537
Machinery and equipment	2 381 172	1 782 926	335 386	262 860
Vehicles	2 645 092	2 410 472	157 596	77 024
Infrastructures	91 000		91 000	
	$21 228 539	$12 815 451	$6 178 454	$2 234 634

9. FIXED ASSETS (cont'd)

Maintenance and operating expenses for the road linking Matagami to Radisson and Chisasibi, the Transtaïga Highway, the Némiscau road and the La Grande Rivière, Fontanges and Némiscau airports are assumed by Hydro-Québec and managed by a management committee composed of representatives of Hydro-Québec and the Société.

[1] The contributions received from the SEBJ, Hydro-Québec and the Municipality of James Bay for fixed assets are recorded by reducing the latter's cost. The Société also posted $3 136 598 received under a federal subsidy for the La Grande Rivière air terminal building, by reducing the cost incurred for it. During the year, the Société received $182 142 as contributions from the federal government (2000: $207 139).

10. SHORT-TERM BORROWINGS

The Société is authorized to contract a short-term borrowing of $4 500 000 from the Gouvernement du Québec's Financing Fund. This borrowing bears interest at the rate in effect the date the note is issued.

The Société is also authorized to contract an authorized bank borrowing of $4 200 000. This bank borrowing bears interest at the prime rate and is renegotiable on April 30, 2002. At December 31, 2001, the interest rate was 4% (2000: 7.5%).

11. LONG-TERM DEBT

	2001	2000
Owed to the Financing Fund of the Gouvernement du Québec, 6.84%, repayable as of 2001 in annual instalments of $40 000 until 2006 when the balance is due	$760 000	$800 000
Payment due within a year	40 000	40 000
	$720 000	$760 000

Instalments on the long-term debt over the five coming fiscal years amount to $40 000 every fiscal year from 2002 to 2005 and $600 000 in 2006.

12. CAPITAL-ACTIONS

	2001	2000
Authorized: 10 000 000 common shares with a par value of $10 each		
Issued and paid up: 6 882 500 common shares	$68 825 000	$60 500 000

Société shares are part of the public domain and are assigned to the Minister of Finance.

During the year, the Société issued 832 500 common shares for $8 325 000 cash.

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001

13. CASH FLOWS

The change in non-cash elements linked to operations is as follows:

	2001	2000
Change in accounts receivable	$618 015	$(1 015 932)
Change in inventories	15 376	(46 175)
Change in prepaid expenses	(89)	35 180
Increase in accounts payable and accruals	216 120	946 244
Increase in withholdings on contracts	148 378	10 348
	$997 800	$(70 335)

The interest paid during the year ended December 31, 2001 totalled $202 520 (2000: $277 527).

14. PENSION PLAN

The Société offers its employees a defined-benefit retirement plan. The Société's policy is to maintain its contributions at a level enabling it to pay benefits. The Société undergoes an actuarial valuation every three years.

The retirement charge and obligation vis-à-vis accrued benefits are established using actuarial calculations based on management's most probable hypotheses and extrapolated based on the most recent actuarial valuation.

Information related to the defined-benefit plan as at December 31 are as follows:

	2001	2000
Obligation in the form of accrued benefits	$1 429 039	$1 224 567
Fair value of plan assets	1 682 308	1 602 284
Capitalization situation – surplus	$253 269	$377 717
Assets in the form of accrued benefits	$209 800	$273 161

No provision was made for the net depreciation of assets in the form of accrued benefits. In fact, the Société intends to reduce its contributions for future fiscal years from these assets, thereby enabling it to very quickly absorb this benefit in coming fiscal years.

The significant actuarial assumptions the Société used to evaluate its obligations in the form of accrued benefits are the following (weighted averages as at December 31):

	2001	2000
Discount rate	6%	6%
Forecast rate of return on plan assets in the long term	6	6
Payment growth rate	4	4

14. PENSION PLAN (cont'd)

Other information related to the defined-benefit plan is as follows:

	2001	2000
Charge for the year	$68 207	$60 082
Employer contributions	4 846	68 701
Employee contributions	44 528	38 168
Benefits paid	6 401	6 401

15. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements, which are measured at exchange value, the Société is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Société did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

16. CONTINGENCIES

As a signatory of the James Bay and Northern Québec Agreement, the Société is a defendant in legal proceedings pertaining to the Agreement's application instituted by opponents calling for its annulment. The Société is also the target of certain legal proceedings jointly with Hydro-Québec, the Société d'énergie de la Baie James, the governments of Québec and Canada and a number of logging companies regarding damages suffered following the construction of the James Bay dams and/or related to logging in Québec's Far North. The administrators believe that these lawsuits are unfounded and, consequently, no provision has been posted to the books in this regard.

The Société owns land that requires decommissioning over the coming years. It is currently impossible for management to reasonably assess the costs and effects on the financial statements.

On February 26, 1993, Ressources MSV Inc. (MSV), the Société and Westminer Canada Ltd. (Westminer) signed a compensation agreement to indemnify Westminer against all future environmental claims related to a mine site. The future reclamation of the mine site was estimated in 1994 at $4 300 000 by a firm of engineering consultants and a fund was set up for this purpose. Westminer and MSV paid this amount. The amounts paid are held in trust and are not included in the financial statements. In 1999, a reassessment estimated site restoration costs to be $3 212 050. The total amount of restoration work done since the creation of the environment fund is $820 000. The value of the funds was $3 738 629 at December 31, 2001. Société management believes that the funds accumulated are sufficient to proceed with restoration work to come. This agreement also states that Société may have to contribute 50% to any deficit or benefit 50% from any surplus once the restoration has been done. During the fiscal year, the agreement's signatories agreed to distribute the restoration fund surplus as at October 31, 2001. The amount attributed to the Société was $1 503 664. Moreover, when MSV shares were sold to Corporation Copper Rand inc., the latter pledged to respect MSV's commitments to pay the Société a royalty of $0.375 per tonne of processed ore and an additional royalty of $0.25 per tonne is the net worth per tonne is higher than $70.

The Société has signed three agreements with Transport Canada under the Airport Infrastructure Assistance Plan for a minimum of $2 909 420 for repairs to the La Grande Rivière airport. These agreements terminate in 2007, 2010 and 2011 and require the Société to commit to operating the said airport for two years. Should it fail to comply with this condition, it will have to repay an amount defined based on the remaining duration of the agreement. As at December 31, this amount was $1 813 833.

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001

17. COMMITMENTS

The Société is committed to a lease for office space expiring June 30, 2006, which calls for lease payments of $177 625, i.e. $35 525 by year.

In 2000, the Société committed to investing $375 000 in the form of shares in a private company. The final investment will represent 50% of the capital stock issued by the Société. The agreement is subject to certain conditions. At December 31, 2001, $280 000 had already been paid.

Under an Order-in-Council of January 10, 1994, the Gouvernement du Québec transferred lands located in the James Bay territory to the Société. The conditions of this Order-in-Council require that, in the event of the subsequent sale of these lands, the profits be remitted to the Gouvernement du Québec.

18. COMPARATIVE FIGURES

Certain 2000 figures have been reclassified to comply with the presentation adopted in 2001.

SOCIÉTÉ DE DÉVELOPPEMENT DE LA BAIE JAMES

MANAGEMENTS' REPORT

The financial statement of the Société de développement de la Baie James were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. It also involves guaranteeing that the financial information presented elsewhere in the annual report complies with that of the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls and has implemented an internal auditing program. This enables it to provide reasonable assurance that assets are safeguarded and that the accounting records constitute an adequate basis for objective, reliable financial statements that accurately represent the Société's financial position and operations. The Société recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The Board of Directors is responsible for examining and approving the financial statements and for overseeing the manner in which management performs its financial reporting duties.

The Auditor General of Québec has audited the Société's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with management to discuss any matter related to his audit.

Jean-Claude Simard
President and Chief Executive Officer

Chibougamau, March 21, 2002

AUDITORS' REPORT

To the Minister of Finance

I have audited the balance sheet of the Société de développement de la Baie James as at December 31, 2001 and the statements of income, deficit and cash flow for the year then ended. These financial statements are the responsibility of Société management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Société's financial position as at December 31, 2001 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, given the retroactive application of the change in the accounting treatment of the retirement plan disclosed in Note 3, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, March 21, 2002

SOCIÉTÉ DE DÉVELOPPEMENT DE LA ZONE DE COMMERCE INTERNATIONAL DE MONTRÉAL À MIRABEL
(R.S.Q., c. S-10.0001)

REVENUE AND EXPENDITURE AND SURPLUS
for the year ended March 31, 2002

	2002	2001
REVENUS		
Gouvernement du Québec operating subsidy		$5 000 000
Interest on revenue	$101 840	238 507
	101 840	5 238 507
EXPENDITURE		
Operating and administrative expenses (Note 3)	523 142	649 621
Salaries and fringe benefits	775 732	518 480
Depreciation of fixed assets	111 152	62 593
	1 410 026	1 230 694
EXCESS (EXPENDITURE OVER REVENUE) OF REVENUE OVER EXPENDITURE	(1 308 186)	4 007 813
SURPLUS, BEGINNING OF YEAR	4 007 813	
SURPLUS, END OF YEAR	$2 699 627	$4 007 813

SOCIÉTÉ DE DÉVELOPPEMENT DE LA ZONE DE COMMERCE INTERNATIONAL DE MONTRÉAL À MIRABEL

BALANCE SHEET
as at March 31, 2002

	2002	2001
ASSETS		
Current assets		
Cash on hand	$205 983	$437 143
Short-term investment (1.93%, at cost)	2 196 392	3 273 534
Accounts receivable	40 263	25 073
Prepaid expenses	12 336	13 054
	2 454 974	3 748 804
Fixed assets (Note 4)	349 042	446 997
	$2 804 016	$4 195 801
LIABILITIES		
Current liabilities		
Accounts payable and accruals	$104 389	$125 216
Accounts payable and related accruals		62 772
	104 389	187 988
SURPLUS	2 699 627	4 007 813
	$2 804 016	$4 195 801

COMMITMENT (Note 5)

On behalf of the Board of Directors,
Eric Hubar Meunier
Jean Teasdale

SOCIÉTÉ DE DÉVELOPPEMENT DE LA ZONE DE COMMERCE INTERNATIONAL DE MONTRÉAL À MIRABEL

NOTES TO FINANCIAL STATEMENTS
as at March 31, 2002

1. CONSTITUTION AND PURPOSE

The Société de développement de la Zone de commerce international de Montréal à Mirabel is a legal body, an agent of the State, established under and governed by the Act respecting the Société de développement de la Zone de commerce international de Montréal à Mirabel (R.S.Q., c. S-10.0001).

Its purpose is to promote the development of Mirabel's airport and airport-related infrastructures by developing and operating Montréal's international trading zone at Mirabel, in order to contribute to the economic growth of the Mirabel area, Greater Montréal and Québec as a whole. Under federal and provincial taxation legislation, the Société is exempt from paying income tax.

2. ACCOUNTING POLICIES

The financial statements of the Société were prepared by management in keeping with the accounting principles that are generally recognized in Canada. These statements include amounts based on best judgements and estimates. The cash flow statement is not included since it does not provide additional information that is useful for understanding cash flows during the year.

Fixed assets

Fixed assets are recorded at cost and amortized over their service life according to the straight-line method and the following rates:

Data processing equipment, computer equipment and development	33 1/3%
Office furniture and equipment	20%
Leasehold improvements	20%

3. OPERATING AND ADMINISTRATIVE EXPENSES

	2002	2001
Rent	$51 958	$30 309
Travelling, representation, advertising and promotion	331 028	293 180
Professional fees	60 285	245 742
Office expenses and administrative expenses	79 871	80 390
	$523 142	$649 621

4. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net value	Net value
Computer software, equipment and development	$64 277	$29 633	$34 644	$44 042
Office furniture and equipment	38 675	11 164	27 511	32 101
Leasehold improvements	419 835	132 948	286 887	370 854
	$522 787	$173 745	$349 042	$446 997

SOCIÉTÉ DE DÉVELOPPEMENT DE LA ZONE DE COMMERCE INTERNATIONAL DE MONTRÉAL À MIRABEL

NOTES TO FINANCIAL STATEMENTS (cont'd)
as at March 31, 2002

5. COMMITMENT

The Société is committed under a lease with the Société immobilière du Québec ending in August 2005 for administrative offices.

Minimum future payments are as follows:

2003	$51 958
2004	51 958
2005	51 958
2006	21 651
	$177 525

6. RELATED PARTY TRANSACTIONS

The Société received employee loans from government agencies. The fair value of these services, received free of charge $77 594 (2002: $88 053) and assumed by the Société, represents $85 308 (2001: $69 699).

In addition to the related party transactions disclosed in its financial statements, measured at exchange value, the Société is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Société did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

7. COMPARATIVE FIGURES

Certain 2001 figures were reclassified for consistency with the presentation adopted in 2002.

SOCIÉTÉ DE DÉVELOPPEMENT DE LA ZONE DE COMMERCE INTERNATIONAL DE MONTRÉAL À MIRABEL

MANAGEMENT'S REPORT

The financial statements of the Société de développement de la Zone de commerce international de Montréal à Mirabel were drawn up by management, which its responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Société recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors must oversee the manner in which management performs its financial reporting duties, and has approved the financial statements. It is assisted by the audit committee, whose members are not management. This committee meets with management and the auditor, examines the financial statements and recommends their approval to the board of directors.

The Auditor General of Québec has audited the Société's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the audit committee to discuss any matter related to the audit.

Daniel Laplante
Secretary of the Société and First Director of
Administration and Business Services

Jean Teasdale
Director General

Mirabel, June 21, 2002

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Société de développement de la Zone de commerce international de Montréal à Mirabel as at March 31, 2002 and the statement of revenue and expenditure and surplus for the year the ended. These financial statements are the responsibility of the Société's management. My responsibility is to express an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting policies used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Société's financial position as at March 31, 2002 and the results of its operations and cash flows for the year the ended, in accordance with the accounting policies that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., chapter V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, June 21, 2002

SOCIÉTÉ DE DÉVELOPPEMENT DES ENTREPRISES CULTURELLES
(R.S.Q., c. S-10.002)

REVENUE AND EXPENDITURE AND SURPLUS
for the year ended March 31, 2002

	2002	2001
REVENUE		
Subsidies from the Gouvernement du Québec (Note 3)	$43 426 604	$39 128 313
Interest on investments and loans	2 035 726	2 723 679
Amounts recovered on investments and assistance repayable under financial assistance programs (Note 4)	791 679	734 189
Guarantee fees	1 304 379	734 615
Certification fees	958 842	1 204 146
Immovable cultural property		
Rent and other	1 224 292	1 260 392
Interest on short-term investments	29 242	51 932
Share in the results of a limited partnership	33 815	316 232
Other revenue	120 799	45 505
	49 925 378	46 199 003
EXPENDITURE		
Financial assistance programs (Note 5)		
Film and television productions	17 681 435	15 553 818
Support for cultural enterprises	16 368 493	15 296 984
International affairs	3 285 358	2 839 714
Allowance for bad debts and for losses (Note 6)	609 212	808 858
Administrative expenses (Note 7)	8 331 858	7 574 583
Interest on long-term advance from the Gouvernement du Québec	33 815	372 878
Immovable cultural property		
Operating and administrative expenses (Note 8)	2 937 665	2 623 322
Interest on long-term debts	1 145 013	1 106 280
Loss on disposal of fixed assets	76 144	
	50 468 993	46 176 437
EXCESS EXPENDITURE OVER REVENUE	(543 615)	22 566
SURPLUS, BEGINNING OF YEAR	1 729 173	1 706 607
SURPLUS, END OF YEAR	$1 185 558	$1 729 173

The notes to the financial statements are an integral of these presents.

SOCIÉTÉ DE DÉVELOPPEMENT DES ENTREPRISES CULTURELLES

BALANCE SHEET
as at March 31, 2002

	2002	2001
ASSETS		
Cash on hand	$2 468 871	$279 407
Term deposits (Note 9)	8 161 341	12 753 749
Loans and other financial assistance (Note 10)	19 700 263	18 647 944
Assistance repayable (Note 5)	1 273 440	1 275 263
Accounts receivable and accrued interest	727 192	558 779
Gouvernement du Québec subsidies receivable	372 553	874 949
Prepaid expenses and advances on commitments	435 946	668 794
Investment in limited partnerships (Note 11)	18 075 304	9 377 091
Fixed assets (Note 12)	17 172 817	16 470 813
	$68 387 727	$60 906 789
LIABILITIES		
Accounts payable and accruals	$1 573 381	$1 142 239
Interest accrued on long-term advance from the Gouvernement du Québec	406 693	372 878
Accrued interest on long-term debts	372 553	388 649
Amounts payable under financial assistance programs	8 891 531	9 012 885
Cumulated provisions for losses on loan guarantees related to business financing (Note 6)	887 477	471 380
Deferred revenue (Note 14)	2 924 469	3 890 390
Long-term Gouvernement du Québec advance (Note 15)	18 000 000	9 000 000
Long-term debts (Note 16)	13 896 065	14 649 195
	46 952 169	38 927 616
EQUITY		
Capital (Note 17)	19 500 000	19 500 000
Contributed surplus (Note 18)	750 000	750 000
Surplus	1 185 558	1 729 173
	21 435 558	21 979 173
	$68 387 727	$60 906 789

The notes to the financial statements are an integral of these presents.

COMMITMENTS (Note 22)
CONTINGENCIES (Note 23)

On behalf of the Board of Directors,
Pierre Lafleur
Louise Bérubé

SOCIÉTÉ DE DÉVELOPPEMENT DES ENTREPRISES CULTURELLES

CASH FLOWS
for the year ended March 31, 2002

	2002	2001
OPERATING ACTIVITIES		
Excess of expenditure over revenue	$(543 615)	$22 566
Adjustments for:		
Allowance for bad debts and for losses	609 212	808 858
Provision for bad debts linked to assistance repayable	181 176	56 077
Bad debts related to interim financing of tax credits	503 230	862
Depreciation of fixed assets	1 102 177	1 041 883
Loss on disposal of fixed assets	76 144	
Share in the results of a limited partnership	(33 815)	(316 232)
	1 894 509	1 614 014
Change in non-cash items related to operating activities:		
Accounts receivable and accrued interest	(168 413)	(142 497)
Gouvernement du Québec subsidies receivable	502 396	920 537
Prepaid expenses and advances on commitments	232 848	(361 022)
Accounts payable and accruals	431 142	(114 871)
Accrued interest on long-term advance from the Gouvernement du Québec	33 815	372 878
Interest accrued on the long-term debt	(16 096)	49 763
Amounts to pay under financial assistance programs	(121 354)	(982 281)
Deferred revenue	(1 469 151)	248 573
	(574 813)	(8 920)
Cash flows provided by operating activities	1 319 696	1 605 094
INVESTMENT ACTIVITIES		
Loans and other financial assistance	(14 064 940)	(13 178 547)
Assistance repayable	(613 052)	(567 021)
Restoration – immovable cultural property	(1 037 406)	(119 575)
Acquisition of other fixed assets	(842 919)	(791 300)
Investment in limited partnerships	(9 000 000)	
Distribution of share in the performance of a limited partnership	335 602	78 658
Repayment of loans and other financing assistance	12 819 506	8 887 566
Recovery of assistance repayable	433 699	369 736
Cash flows used for investment activities	(11 969 510)	(5 320 483)
FINANCING ACTIVITIES		
Bank loan		(7 458 017)
Long-term Gouvernement du Québec advance	9 000 000	
Long-term debt		8 267 868
Repayment of long-term debt	(753 130)	(753 129)
Cash flows provided by financing activities	8 246 870	56 722
DECREASE IN CASH AND CASH EQUIVALENTS	(2 402 944)	(3 658 667)
CASH AND CASH EQUIVALENT, BEGINNING OF YEAR	13 033 156	16 691 823
CASH AND CASH EQUIVALENT, END OF YEAR (Note 19)	$10 630 212	$13 033 156

The notes to the financial statements are an integral of these presents.

SOCIÉTÉ DE DÉVELOPPEMENT DES ENTREPRISES CULTURELLES

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

The Société de développement des entreprises culturelles (SODEC) is a legal person established and governed by the Act respecting the Société de développement des entreprises culturelles (R.S.Q., c. S-10.002). Under the Income Tax Act (R.S.C. 1985, c. 1, 5th supplement) and the Taxation Act (R.S.Q., c. 1-3), the Société is not subject to income tax.

Its purpose is to promote and support, in all regions of Québec, the establishment and development of cultural enterprises, including the media, and to help improve the quality of goods and services and their competitiveness in Québec, the rest of Canada and abroad. The Société is also responsible for recognizing works as Québec cinema in accordance with the standards set forth in government regulations under the Cinema Act (R.S.Q., c. C-18.1).

The Société owns immovable cultural property acquired from the Minister of Transport on December 27, 1990 for $1. The buildings have been assessed by a company of certified appraisers who prepared an evaluation report establishing their current fair market value at $1. The Société may also, with the Government's authorization, acquire, restore, renovate, manage or operate buildings.

2. MAJOR ACCOUNTING POLICIES

The financial statements of the Société were prepared in accordance with the accounting principles that are generally accepted in Canada. For this, management must make estimates and formulate hypotheses that affect the amounts presented in the financial statements, which include amounts based on best estimates and judgements. The main accounting policies adopted for the preparation of these financial statements are summarized below.

Loans and other financial assistance

Loans and other financial assistance include investments made by the Société under its business financing programs. These investments can take the form of stock purchases, loans or debentures and are recorded at face value, plus interest accrued receivable, minus the cumulated provision for bad debts.

A loan or debenture is classified doubtful when the quality of the credit has deteriorated to the point that the Société is no longer reasonably certain of recovering all capital and interest. When a loan or debenture becomes doubtful, the recognition of interest income ceases and the Société reduces this participation by posting a cumulated provision for bad debts.

Loan guarantees appear as contingencies in the Société's financial statements. The loans resulting from the performance of loan guarantees related to an enterprise's financing are recorded to the Société's assets once the latter has approved the claim produced by the lending financial institution.

Cumulated provision and contribution for bad debts and losses

The cumulated provision for bad debts and losses is maintained at a level deemed adequate to absorb the bad debts and losses in the Société's portfolio. It is increased by the annual provision, which is posted to results, and reduced by the amount of the write-offs. The cumulated provision for bad debts and losses includes specific provisions and a general provision.

The specific provisions are established for each loan or debenture. The book value of a loan or debenture is rolled back to its estimated realizable value by discounting projected future cash flows.

The general provision is established for loan guarantees related to business financing. The amount of the general provision is estimated based on past losses.

The contribution for losses represents an amount cashed to absorb potential losses resulting from the loan guarantee for business financing. Should the contingency or loan guarantee become doubtful, the contribution will be posted to results as revenue in the fiscal year in which the losses were disclosed.

2. ACCOUNTING POLICIES (cont'd)

Assistance repayable and cumulated provision for bad debts

Assistance repayable is financial assistance linked to a predefined repayment obligation of a minimum duration of two years and generally not exceeding five years. This assistance is recorded in the balance sheet at face value minus a cumulated provision for bad debts. This cumulated provision is established by examining the probability of recovering each case of repayable assistance based on past losses. The annual variation in the cumulated provision is posted to results as program expenditures.

Investment in limited partnerships

The investment in a limited partnership as a limited partner is recorded at acquisition cost. When the investment suffers a lasting decline in value, the book value is reduced. This reduction is charged directly to the year-end statement.

Investment in a limited partnership subject to significant influence as a limited partner and general partner is recorded on an equity basis.

Fixed assets

Fixed assets are recorded at cost and amortized over their estimated service life using the straight-line method. The cost of restoration work includes materials and equipment, direct labour, indirect costs and interim financing costs during the work.

Restoration work	25 years
Major repairs	10 years
Office furniture	10 years
Equipment	5 years
Data processing equipment and software	from 4 to 7 years
Leasehold improvements	term of lease

Works of art and restoration work in progress are not depreciated.

Deferred subsidies

Specific subsidies received for financial assistance programs and for any other project are deferred and posted to results as revenues in conjunction with related commitments.

Financial assistance programs

Financial assistance awarded in the form of subsidies, investments and refundable aid, other than that related to a predefined repayment obligation, is posted to results as program expenditures. These costs are recorded in the fiscal year in which they are authorized and when the beneficiary has met the eligibility criteria.

When the terms and conditions governing the financial assistance are not respected, the project cancellation is recorded in the fiscal year during which the facts were disclosed.

Revenue

Recovery of investment and assistance repayable related to a predefined repayable obligation is posted to results when cashed or payable.

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

2. ACCOUNTING POLICIES (cont'd)

Cash and cash equivalents

Cash and cash equivalents comprise bank balances and short-term investments maturing within three months of the date they were acquired.

Pension plans

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the Société lacks sufficient information to apply the accounting procedure for defined-benefit plans.

3. GOUVERNEMENT DU QUÉBEC SUBSIDIES

	2002	2001
Subsidies granted		
Financial assistance programs:		
Film and television productions	$16 978 100	$15 858 100
Support of cultural enterprises	16 477 700	14 722 700
International affairs	3 450 000	3 100 000
Operations	2 675 000	2 679 260
Immovable cultural property:		
Operations	755 000	1 105 300
Instalments on long-term debts	1 898 142	1 859 410
	42 233 942	39 324 770
Deferred subsidies at the beginning		
Film and television productions	1 575 003	1 270 720
Support of cultural enterprises	617 442	925 268
International affairs	400 000	400 000
Immovable cultural property		
Operations	331 300	131 300
	2 923 745	2 727 288
Deferred subsidies at the end		
Film and television productions	(1 172 464)	(1 575 003)
Support of cultural enterprises	(558 619)	(617 442)
International affairs		(400 000)
Immovable cultural property		
Operations		(331 300)
	(1 731 083)	(2 923 745)
	$43 426 604	$39 128 313

4. AMOUNTS RECOVERED ON INVESTMENTS AND ASSISTANCE REPAYABLE UNDER FINANCIAL ASSISTANCE PROGRAMS

	2002			2001
	Investments	Assistance repayable	Total	Total
Film and television productions	$243 093	$166 664	$409 757	$432 822
Support of cultural enterprises		208 230	208 230	157 633
International affairs		173 692	173 692	143 734
	$243 093	$548 586	$791 679	$734 189

5. FINANCIAL ASSISTANCE PROGRAMS

	2002				2001
Expenditure	Film and television productions	Support of cultural enterprises	International affairs	Total	Total
Investments	$16 238 491			$16 238 491	$13 977 451
Subsidies	1 446 373	$15 991 747	$2 171 229	19 609 349	18 935 053
Assistance repayable unrelated to predefined repayment obligations	552 028	164 000	883 190	1 599 218	1 199 258
Provision for bad debts		136 400	44 776	181 176	56 077
Cancellations and amounts recovered	(859 219)	(137 278)		(996 497)	(967 338)
Other	303 762	213 624	186 163	703 549	490 015
	$17 681 435	$16 368 493	$3 285 358	$37 335 286	$33 690 516

	2002				2001
Assets	Film and television productions	Support of cultural enterprises	International affairs	Total	Total
Opening balance		$927 277	$568 078	$1 495 355	$1 298 070
Assistance repayable related to predefined repayment obligations granted in the year		269 242	343 810	613 052	567 021
Amounts recovered		(187 808)	(245 891)	(433 699)	(369 736)
Write-offs		(130 000)	(71 815)	(201 815)	
		878 711	594 182	1 472 893	1 495 355
Cumulated provision for bad debts		(83 962)	(115 491)	(199 453)	(220 092)
Closing balance		$794 749	$478 691	$1 273 440	$1 275 263

SOCIÉTÉ DE DÉVELOPPEMENT DES ENTREPRISES CULTURELLES

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

6. CUMULATED PROVISION AND CONTRIBUTION FOR BAD DEBTS AND LOSSES

	2002	2001
Opening balance	$3 943 031	$3 814 766
Write-offs during the year		
Loans and debentures granted by the Société	375 143	438 109
Loans resulting from the fulfilment of loan guarantees related to business financing	461 959	242 484
	837 102	680 593
Allowance for the year		
Loans and debentures granted by the Société	482 199	663 917
Loans resulting from the fulfilment of loan guarantees related to business financing	85 916	225 946
Loan guarantees related to business financing	41 097	(81 005)
	609 212	808 858
Contribution for losses on the loan guarantee for business financing	375 000	
Closing balance	$4 090 141	$3 943 031

The accumulated allowance for bad debts and for losses breaks down as follows:

Loans and debenture granted by the Société (Note 10)	$3 018 512	$2 911 456
Loans resulting from the fulfilment of loan guarantees related to business financing (Note 10)	184 152	560 195
	3 202 664	3 471 651
Loan guarantees related to business financing *	887 477	471 380
	$4 090 141	$3 943 031

* Includes the $375 000 contribution for losses on the loan guarantee related to business financing.

7. ADMINISTRATIVE EXPENSES

	2002	2001
Salaries and fringe benefits	$6 207 530	$5 961 151
Professional fees	133 500	119 834
Travelling, representation and conventions	202 720	200 169
Rent	464 204	415 801
Insurance	34 269	30 411
Stationery and office expenses	364 436	348 332
Advertising and promotion	142 664	154 526
Bad debts related to interim financing of tax credits	503 230	862
Depreciation of fixed assets	237 540	268 192
Other expenses	41 765	75 305
	$8 331 858	$7 574 583

8. OPERATING AND ADMINISTRATIVE EXPENSES – IMMOVABLE CULTURAL PROPERTY

	2002	2001
Salaries and fringe benefits	$504 263	$428 794
Professional fees	54 947	52 553
Travelling, representation and conventions	19 785	17 097
Taxes	452 954	333 533
Insurance	104 496	96 435
Electricity and heating	221 802	235 804
Maintenance and repairs	599 256	626 357
Stationery and office expenses	34 746	48 992
Depreciation of fixed assets	864 637	773 691
Other expenses	80 779	10 066
	$2 937 665	$2 623 322

9. TERM DEPOSITS

Term deposits comprise commercial paper and bankers' acceptances. They are recorded at cost and bear interest at rates varying from 2.05% to 2.27%.

10. LOANS AND OTHER FINANCIAL ASSISTANCE

	2002			2001
	Amount	Allowance for losses (Note 6)	Net amount	Net amount
Common shares with voting rights	$450 000		$450 000	$450 000
Common, participating shares with no voting rights	390 000		390 000	390 000
Loans and debentures	19 476 945	$1 952 802	17 524 143	16 437 244
Doubtful loans and debentures				
Loans and debentures granted by the Société	2 252 742	1 065 710	1 187 032	1 223 250
Loans resulting from the fulfilment of guarantees related to business	333 240	184 152	149 088	147 450
	$22 902 927	$3 202 664	$19 700 263	$18 647 944

10. LOANS AND OTHER FINANCIAL ASSISTANCE (cont'd)

All loans awarded by the Société bear interest at a fluctuating rate. The interest rate in effect for loans at March 31, 2002, calculated using a weighted average, is 5.69%, i.e. the prime rate plus 1.94%. One debenture bears interest at an annual rate of 12%, while the other will bear interest at the prime rate as of May 2003.

These loans and debentures, apart from doubtful loans and debentures, mature during fiscal years ending March 31:

2003	$7 809 283
2004	1 583 744
2005	1 751 629
2006	1 567 416
2007	1 878 629
2008 to 2010	2 933 442
	$17 524 143

11. INVESTMENT IN LIMITED PARTNERSHIPS

	2002	2001
Participation, at cost, as a sponsor in a limited partnership whose activity is to invest in undertakings working in the field of culture	$10 000 000	$5 000 000
Participation, at consolidation value, as a sponsor and sponsored party in a limited partnership whose activity is to offer cultural undertakings specialized financing tools	8 075 304	4 377 091
	$18 075 304	$9 377 091

12. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net amount	Net amount
Restoration work	$15 487 312	$2 179 203	$13 308 109	$13 973 011
Major repairs	2 699 439	1 078 122	1 621 317	1 443 487
Office furniture	480 081	192 349	287 732	288 553
Equipment	215 625	153 559	62 066	94 261
Data processing equipment and software	1 325 712	880 760	444 952	388 576
Leasehold improvements	422 094	80 715	341 379	213 069
Work of art	48 798		48 798	48 798
Restoration work in progress	1 058 464		1 058 464	21 058
	$21 737 525	$4 564 708	$17 172 817	$16 470 813

13. CREDIT LINES

The Société has a $2 000 000 credit line authorized by Québec government order-in-council with a financial institution. This credit line bears interest at the prime rate for a term that may not exceed one year.

The Société also has a $1 390 000 credit line in capital and interest with a financial institution to do major restoration to houses belonging to its housing stock and a $900 000 credit line in capital and interest for awarding financial assistance to organizations reporting to it for equipment acquisitions. These credit lines are authorized by Québec government orders-in-council, are renewable annually and bear interest at the prime rate.

The Société is authorized by Québec government order-in-council to contract short-term borrowings or use its credit line for an amount not to exceed $249 300 to keep buildings belonging to its housing stock in good condition. The borrowings may be contracted with a financial institution or the Financing Fund of the Gouvernement du Québec and bear interest at a variable or fixed rate, without exceeding the prime rate, for a term that may not exceed one year.

14. DEFERRED REVENUE

	2002	2001
Interim financing of tax credits		
Opening balance	$539 277	$535 786
Net amount of write-offs / receipts (disbursements) on files in default	307 116	(124 593)
Excess (deficiency) of fee earnings over operating expenses	(400 029)	128 084
Closing balance	446 364	539 277
Deferred subsidies (Note 3)	1 731 083	2 923 745
Other deferred revenue	747 022	427 368
	$2 924 469	$3 890 390

15. LONG-TERM GOUVERNEMENT DU QUÉBEC ADVANCES

	2002	2001
Gouvernement du Québec advance, bearing interest at the rate of return on the investment in the limited partnership less the equivalent of 35% of this return, payable when the limited partnership winds up or no later than December 31, 2006	$10 000 000	$5 000 000
Gouvernement du Québec advance, bearing interest at the rate of return on the investment in the limited partnership up to an annual maximum equal to the prime rate, payable when the limited partnership winds up or no later than December 31, 2011	8 000 000	4 000 000
	$18 000 000	$9 000 000

16. LONG-TERM DEBTS

	2002	2001
Borrowing on a note from the Financing Fund of the Gouvernement du Québec, 9.5%, repayable in annual instalments of $339 736, until April 1, 2004 and a final instalment of $5 435 776 on April 1, 2005 whose payment (capital and interest) is guaranteed by the Gouvernement du Québec	$6 454 984	$6 794 720
Borrowing on a note from the Financing Fund of the Gouvernement du Québec, 6.77%, repayable in annual instalments of $413 393 until February 16, 2005 and a final instalment of $6 200 901 on February 16, 2006 whose payment (capital and interest) is guaranteed by a movable hypothec without delivery on the amount of the subsidy foreseen by the repayment of this loan	7 441 081	7 854 475
	$13 896 065	$14 649 195

The amounts of capital instalments to pay on long-tem debts over the next four fiscal years is as follows:

2003	$753 129
2004	753 129
2005	753 129
2006	11 636 678
	$13 896 065

17. CAPITAL

As at March 31, 1995, the capital stock of the Société générale des industries culturelles, a government agency, became the Société's capital.

18. CONTRIBUTED SURPLUS

In 1998-1999, the Gouvernement du Québec paid the Société $750 000 for awarding a loan for a specific project under the company financing program.

19. CASH FLOWS

The cash and cash equivalents shown in the cash flow statement include the following amounts recorded in the balance sheet:

	2002	2001
Cash on hand	$2 468 871	$279 407
Temporary investments	8 161 341	12 753 749
	$10 630 212	$13 033 156

Interest paid by the Société during the fiscal year totals $1 161 108 (2001: $1 056 517).

20. FUTURE FRINGE BENEFITS

Pension plans

The staff members of the Société participate in the Government and Public Employees Retirement Plan (RREGOP) and the Pension Plan of Management Personnel (PPMP). These are interenterprise defined-benefit plans and include guaranteed payments upon retirement and death.

The Société's contributions charged to the year-end statement amount to $188 858 (2001: $152 873). The Société's liability towards this Government plan is restricted to its contributions as an employer.

Provision for sick leave and vacation time

	2002			2001
	Sick leave	Vacation time	Total	Total
Opening balance	$120 030	$502 294	$622 324	$457 310
Charges for the year	157 286	487 370	644 656	617 775
Benefits paid during the year	(148 776)	(374 049)	(522 825)	(452 761)
Closing balance	$128 540	$615 615	$744 155	$622 324

21. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements and recorded at exchange value, the Société is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Société did not conclude any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

22. COMMITMENTS

a) The unpaid balance on commitments for loans as at March 31, 2002, amounts to $7.5 million (2001: $7.6 million).

b) The minimum commitments under an operating lease for Société offices are as follows:

2003	$566 640
2004	566 640
2005	566 640
2006	566 640
2007	566 640
2008 – 2010	1 558 260
	$4 391 460

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

23. CONTINGENCIES

a) The Société guarantees the repayment of loans or debts contracted by firms from financial institutions for business financing and for the interim financing of tax credits. The maximum amounts guaranteed are as follows:

	2002	2001
Business financing *	$15 525 514	$13 882 990
Interim financing of refundable tax credits for Québec films and television productions and multimedia productions **	23 712 944	30 463 922
	$39 238 458	$44 346 912

* The accumulated allowance for losses on these loan guarantees is discussed in Note 6 of the financial statements.
** Contingent losses on guarantees granted under this program, estimated at $67 679, will be repaid by the Gouvernement du Québec.

b) Various judicial and extrajudicial proceedings instituted by or against the Société are presently under way. According to the Société, the outcome of these cases will have no significant impact on its financial position or on the results of its operations.

24. COMPARATIVE FIGURES

Certain figures for the previous fiscal year were reclassified to comply with the presentation adopted for fiscal 2002.

SOCIÉTÉ DE DÉVELOPPEMENT DES ENTREPRISES CULTURELLES

MANAGEMENT'S REPORT

The financial statements of the Société de développement des entreprises culturelles du Québec were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that the assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Société recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors oversees the manner in which management performs its financial reporting duties, and has approved the financial statements. It is assisted by the audit committee, whose members are not part of management. This committee meets with management and the auditor, examines the financial statements and recommends their approval to the board of directors.

The Auditor General of Québec has audited the Société's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the audit committee to discuss any matter related to the audit.

Pierre Lafleur
President

Gilles Corbeil
Secretary General

Québec, May 29, 2002

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Société de développement des entreprises culturelles as at March 31, 2002 and the statements of revenue and expenditure, surplus and changes in financial position for the year then ended. These financial statements are the responsibility of Société management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Société's financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, May 29, 2002

SOCIÉTÉ DE LA PLACE DES ARTS DE MONTRÉAL
(R.S.Q., c. S-11.03)

RESULTS AND SURPLUS
for the year ended August 31

	2001	2000
REVENUE		
Gouvernement du Québec subsidies (Note 3)	$23 902 650	$25 015 922
Auditorium rentals	2 329 531	1 767 366
Ancillary operations	2 427 671	1 852 384
Rental of office and commercial space	1 587 680	1 540 856
Royalties and ticket revenue	1 336 570	839 633
Sponsorships and publicity	699 035	915 818
Theatrical services	104 436	7 430
Financial revenue	244 693	117 924
Cultural events	19 811	17 834
Other revenue	621 410	500 776
	33 273 487	32 575 943
EXPENDITURE		
Salaries and fringe benefits	5 216 364	4 018 070
Building maintenance and repair	2 615 960	2 273 596
Electricity and heating	2 187 438	1 795 177
Equipment purchases, maintenance and repair	394 317	161 759
Professional services	161 616	156 310
Communications	737 287	708 691
Show operating costs	464 858	305 696
General administration	186 241	177 187
Insurance and taxes	6 774 884	7 219 570
Financial expenses	7 681 269	8 383 171
Depreciation of fixed assets	6 250 823	6 420 943
Other expenses	460 215	305 221
Cost of customers services	2 264 252	428 907
	35 395 524	32 354 298
Costs recovered from customers	(2 264 252)	(428 907)
	33 131 272	31 925 391
EXCESS REVENUE OVER EXPENDITURE	142 215	650 552
SURPLUS, BEGINNING OF YEAR	650 552	
SURPLUS, END OF YEAR	$792 767	$650 552

SOCIÉTÉ DE LA PLACE DES ARTS DE MONTRÉAL

BALANCE SHEET
as at August 31

	2001	2000
ASSETS		
Current assets		
Cash on hand	$2 709 268	$1 548 619
Short-term investment, at cost (interest rate of 3.8%)	1 500 000	
Accounts receivable	606 821	3 933 308
Gouvernement du Québec subsidies receivable (Note 4)	9 346 128	11 116 888
Bar inventory	27 908	25 281
Prepaid expenses	29 601	40 224
	14 219 726	16 664 320
Funds reserved for construction and retrofitting	867 219	306 851
Fixed assets (Note 6)	70 141 955	74 641 142
Gouvernement du Québec subsidies receivable (Note 4)	84 274 967	88 782 490
Deferred discount and issue expenses on the long-term debt	297 181	347 849
	$169 801 048	$180 742 652
LIABILITIES		
Current liabilities		
Deposits – Rental and ticket sales	$2 520 024	$823 934
Accounts payable and accruals	2 100 562	1 205 137
Accrued interest	2 288 931	2 470 756
Provision for building repairs		3 187 068
Instalments on the long-term debt (Note 7)	7 031 196	8 479 870
	13 940 713	16 166 765
Deferred premium and issue expenses on the long-term debt	24 163	169 170
Deferred Gouvernement du Québec subsidies (Note 8)	67 948 967	71 884 509
Long-term debt (Note 7)	79 485 696	84 262 914
	161 399 539	172 483 358
EQUITY		
Contributed surplus (Note 9)	7 608 742	7 608 742
Surplus	792 767	650 552
	8 401 509	8 259 294
	$169 801 048	$180 742 652

COMMITMENTS (Note 13)
CONTINGENCIES (Note 14)

On behalf of the Board of Directors,
Alan B. Gold, Administrator
Michael Fainstat, Administrator

SOCIÉTÉ DE LA PLACE DES ARTS DE MONTRÉAL

CASH FLOWS
for the year ended August 31

	2001	2000
OPERATING ACTIVITIES		
Excess revenue over expenditure	$142 215	$650 552
Adjustments for:		
Depreciation of fixed assets	6 250 823	6 420 943
Amortization of deferred Gouvernement du Québec subsidies	(6 459 215)	(6 268 295)
Amortization of premium, discounts and commissions on long-term debt	(60 166)	(63 462)
	(126 343)	739 738
Change in non-cash elements of the Working Capital Fund:		
Change in debtors	3 326 487	(3 333 877)
Change in Gouvernement du Québec subsidies receivable	284 411	(9 295)
Change in bar inventory	(2 627)	13 720
Change in prepaid expenses	10 623	(33 686)
Change in rental deposits and ticket sales	1 696 090	121 604
Change in accounts payable and accruals	345 090	(743 848)
Change in accrued interest	(181 825)	(147 140)
Change in provision for building repairs	(3 187 068)	3 187 068
	2 291 181	(945 454)
Cash flows provided by (used for) operating activities	2 164 838	(205 716)
INVESTMENT ACTIVITIES		
Acquisition of fixed assets	(1 751 636)	(2 017 334)
Cash flows used for investment activities	(1 751 636)	(2 017 334)
FINANCING ACTIVITIES		
Change in funds reserved for construction and retrofitting	(560 368)	(246 239)
Long-term debt	7 559 800	3 024 800
Decrease of the long-term debt	(8 459 895)	(6 191 910)
Repayment of the interim financing	(4 789 660)	(628 897)
Proceeds from sinking fund	37 675	95 230
Proceeds from Gouvernement du Québec subsidies	8 459 895	6 191 910
Repayment of the amount owing to the Gouvernement du Québec		(294 474)
Cash flows provided by financing activities	2 247 447	1 950 420
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2 660 649	(272 630)
CASH AND CASH EQUIVALENTS AT THE BEGINNING	1 548 619	1 821 249
CASH AND CASH EQUIVALENTS ET THE END (Note 10)	$4 209 268	$1 548 619

SOCIÉTÉ DE LA PLACE DES ARTS DE MONTRÉAL

NOTES TO FINANCIAL STATEMENTS
August 31, 2001

1. CONSTITUTION AND PURPOSE

A legal person within the meaning of the Civil Code, the Société de la Place des Arts de Montréal was established under the Act respecting the Société de la Place des Arts de Montréal (R.S.Q., c. S-11.03). Its purpose is to operate an enterprise that disseminates the performing arts and administers the Place des Arts de Montréal or any other establishment entrusted to it by the Government.

Specifically, these activities are designed to procure a residence for major artistic organizations, promote access to various types of performing arts and foster Québec's artistic and cultural sector.

Under section 32 of its incorporating legislation, the Société finances its activities through the sums it receives and the appropriations granted annually for this purpose by the National Assembly. The Société keeps any surplus Société, unless the government decides otherwise.

2 ACCOUNTING POLICIES

The financial statements of the Société were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Subsidy recording

Subsidies are recorded as products for the fiscal year in which the related charges were incurred.

Bar inventory

Bar inventory is valued at the lower of cost and net realizable value. Cost is calculated according to the first in, first out (FIFO) method.

Fixed assets

Fixed assets are valued at cost, which includes materials, direct labour, direct costs and financing costs during the work. Fixed assets are depreciated over their service life according to the straight-line method as follows:

Building	40 years
Building improvements and major repairs	10 years
Stage equipment and accessories	10 years
Office furniture and equipment	10 years
Other equipment	5 years
Computer hardware	3 years

Deferred premium, discount and issue expenses on the long-term debt

Premium, discount and issue expenses on the long-term debt are deferred and amortized according to the straight-line method over the remaining term of the borrowings.

Cash and cash equivalents

Cash and cash equivalents consist of bank balances including bank overdrafts and short-term investments maturing within three months.

Pension plans

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the Société lacks sufficient information to apply the accounting procedure for defined-benefit plans.

NOTES TO FINANCIAL STATEMENTS (cont'd)
August 31, 2001

3. GOUVERNEMENT DU QUÉBEC SUBSIDIES

Gouvernement du Québec subsidies break down as follows:

	2001	2000
Operations	$3 138 900	$3 282 900
Interest on bonds and borrowings on notes	7 642 608	8 391 488
Compensation in lieu of taxes	6 661 927	7 073 239
Amortization of deferred Gouvernement du Québec subsidies	6 459 215	6 268 295
	$23 902 650	$25 015 922

4. GOUVERNEMENT DU QUÉBEC SUBSIDIES RECEIVABLE

Gouvernement du Québec subsidies receivable presented as short-term correspond to the interest charged on the long-term debt and to reimbursement of capital on the long-term debt in the next fiscal year.

The long-term portion represents the Gouvernement du Québec's total commitments for immovables and their maintenance minus capital repayments on the long-term debt already made and to be made in the next fiscal year minus the sinking fund for the long-term debt of the current fiscal year.

5. LONG-TERM DEBT SINKING FUND

Changes in Fund balance during the year

	2001	2000
Increase:		
Gouvernement du Québec subsidy	$1 582 000	$1 595 000
Interest generated by the fund	19 975	94 964
	1 601 975	1 689 964
Decrease:		
Repayment of bonded debt	3 530 035	1 495 000
Net change during the year	(1 928 060)	194 964
Opening balance	1 928 060	1 733 096
Closing balance		$1 928 060

The sinking fund balance breaks down as follows:

	2001	2000
Cash on hand		$360
Short-term investment, at cost		1 910 000
Accrued interest receivable		17 700
		$1 928 060

NOTES TO FINANCIAL STATEMENTS (cont'd)
August 31, 2001

6. FIXED ASSETS

	2001			2000
	Cost	Accumulated depreciation	Net	Net
Land	$7 608 742		$7 608 742	$7 608 742
Building	100 999 573	$48 340 788	52 658 785	55 183 701
Building improvements and major repairs	62 191 476	53 717 987	8 473 489	10 322 128
Stage equipment and accessories	2 058 755	1 238 939	819 816	836 772
Office furniture and equipment	64 385	14 010	50 375	36 766
Other equipment	774 104	441 223	332 881	409 727
Computer hardware	730 430	532 563	197 867	243 306
	$174 427 465	$104 285 510	$70 141 955	$74 641 142

7. LONG-TERM DEBT

	2001	2000
Bonds guaranteed by the Gouvernement du Québec:		
- 6.25% sinking fund bonds maturing June 1, 2006	$3 639 000	$4 248 000
- 5.75% sinking fund bonds maturing April 15, 2005	4 460 000	5 433 000
- 13.50% sinking fund bonds maturing November 6, 2000		4 000 000
- 12.20% and 12.25% series bonds maturing from 2001 to 2003 and in 2005	2 825 000	3 200 000
- 11.25%, maturing in 2008	1 500 000	1 500 000
	12 424 000	18 381 000
Less: sinking fund (Note 5)		1 928 060
	12 424 000	16 452 940
Borrowings on notes from the Financing Fund of the Gouvernement du Québec:		
- 10.25% (effective rate of 9.724%), repayable in annual principal instalments of $2 524 044 up to October 15, 2001 refinanced on October 15, 2001	40 384 704	42 908 748
- 7.5% (effective rate of 7.667%), repayable in annual principal instalments of $880 048 up to December 1, 2002 and one instalment of $14 080 768 on December 1, 2003	15 840 864	16 720 912
- 5.44% (effective rate of 5.592%), repayable in variable annual principal instalments up to February 26, 2002 and one instalment of $2 887 646 on February 26, 2003	3 368 921	3 850 195
- 5.44% (effective rate of 5.572%), repayable in annual principal instalments of $92 797 up to February 26, 2002 and one instalment of $1 020 771 on February 26, 2003	1 113 568	1 206 365
- 6.77% (effective rate of 6.902%), repayable in annual principal instalments of $202 667 up to February 16, 2005 and one instalment of $2 026 667 on February 16, 2006, guaranteed by one moveable hypothec without delivery	2 837 333	3 040 000
Amounts carried forward	$63 545 390	$67 726 220

SOCIÉTÉ DE LA PLACE DES ARTS DE MONTRÉAL

NOTES TO FINANCIAL STATEMENTS (cont'd)
August 31, 2001

7. LONG-TERM DEBT (cont'd)

	2001	2000
Amounts brought forward	$63 545 390	$67 726 220
- 6.96% (effective rate of 6.972%), repayable in annual principal instalments of $270 100 up to February 16, 2005 and one instalment of $1 620 600 on February 16, 2006	2 701 100	2 971 100
- 5.673% (effective rate of 5.795%), repayable in annual principal instalments of $506 265 up to April 11, 2005 and one instalment of $5 568 913 on April 11, 2006, guaranteed by one moveable hypothec without delivery	7 593 973	
	73 840 463	70 697 320
Other debts *		
Short-term borrowings from the Gouvernement du Québec's Financing Fund **		4 789 660
Accounts payable and accruals	252 529	802 864
	252 529	5 592 524
	86 516 892	92 742 784
Payments due in the next fiscal year	7 031 196	8 479 870
	$79 485 696	$84 262 914

Payments on the principal of the long-term debt over the next five fiscal years under call features and amortization clauses for the bonded debt are as follows:

2002	$7 031 196
2003	10 506 334
2004	19 477 637
2005	7 482 869
2006	12 573 017

* Short-term borrowings from the Gouvernement du Québec's Financing Fund, amounts owing suppliers and costs incurred for immovables projects are considered a long-term debt, given that their reimbursement is expected to come from long-term financing.

** The Société borrows the amounts needed to pay its obligations for the cost of maintaining current assets from the Gouvernement du Québec's Financing Fund. The maximum amount of its borrowings is limited to the amounts accorded by Gouvernement du Québec decree. Borrowings are renewable for variable terms at the prime rate in effect when they are renewed.

The Société is authorized to contract a maximum of $2 000 000 in short-term borrowings under a credit line at variable or fixed rates without exceeding the prime rate for a term not to exceed one year.

8. DEFERRED GOUVERNEMENT DU QUÉBEC SUBSIDIES

	2001	2000
Opening balance	$71 884 509	$76 569 549
Gouvernement du Québec commitments regarding immovables and their maintenance	2 488 600	1 553 200
Premium on long-term debt issue	35 073	30 055
Amortization of deferred subsidies	(6 459 215)	(6 268 295)
Closing balance	$67 948 967	$71 884 509

9. CONTRIBUTED SURPLUS

This item corresponds to property costs.

10. CASH FLOWS

Cash and cash equivalents shown in the cash flow statement include the following amounts recorded in the balance sheet:

	2001	2000
Cash on hand	$2 709 268	$1 548 619
Short-term investment, at cost (interest rate of 3.8%)	1 500 000	
	$4 209 268	$1 548 619

Interest paid to the Société during the year amounts to $7 923 259 (2000: $8 593 776).

11. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements and recorded at exchange value, the Société is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Société did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

12. FUTURE FRINGE BENEFITS

Pension plans

Some of the staff members of the Société participate in the Government and Public Employees Retirement Plan, the Pension Plan of Management Personnel or the Upper Management Retirement Plan. These are interenterprise defined-benefit plans and include guaranteed payments upon retirement and death.

Other Société staff members, namely, stagehands and dressers, contribute to two defined-benefit plans.

The Société's contributions charged to the year-end statement amount to $214 504 (2000: $109 007). The Société's liability towards these Government plans is restricted to its contributions as an employer

NOTES TO FINANCIAL STATEMENTS (cont'd)
August 31, 2001

12. FUTURE FRINGE BENEFITS (cont'd)

Provision for sick leave and vacation time

	2001			2000
	Sick leave	Vacation leave	Total	Total
Opening balance	$117 348	$138 902	$256 250	$278 906
Charge for the year	186 076	345 749	531 825	211 920
Benefits paid during the year	(170 861)	(280 125)	(450 986)	(234 576)
Closing balance	$132 563	$204 526	$337 089	$256 250

13. COMMITMENTS

The Société is committed to long-term contracts for goods and services, maturing on various dates up to August 31, 2003 and to construction work on immovables.

Minimum future payments are as follows:

2002	$399 810
2003	4 718
	$404 528

14. CONTINGENCIES

In a ruling dated August 24, 2001, the labour commissioner granted 100 of the 102 grievances submitted by stage technicians and ordered the Société to pay compensation equalling the wages and other fringe benefits lost in their dismissals between November 11, 1999 and January 31. 2001. On September 7, 2001, the Société appealed this ruling before the Labour Court. No provision was included in the financial statements. Management estimates that no amounts are owing to grievants.

The Société is also party to various claims and legal proceedings that have cropped up in the normal course of business.

The Société is not able to predict the outcome of these disputes. To the extent that it can be determined, these financial statements include provisions to this effect.

SOCIÉTÉ DE LA PLACE DES ARTS DE MONTRÉAL

MANAGEMENT'S REPORT

The financial statements of the Société de la Place des Arts de Montréal were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Société recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors must oversee the manner in which management performs its financial reporting duties, and has approved the financial statements. It is assisted by the audit committee, whose members are not management. This committee meets with management and the auditor, examines the financial statements and recommends their approval to the board of directors.

The Auditor General of Québec has audited the Société's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the audit committee to discuss any matter related to the audit.

Marie Lavigne
Director General

Richard Tardif, CA, CMA
Director, Administration and Finance

Montréal, November 9, 2001

SOCIÉTÉ DE LA PLACE DES ARTS DE MONTRÉAL

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Société de la Place des Arts de Montréal as at August 31, 2001 and the statements of results and surplus and cash flows for the year then ended. These financial statements are the responsibility of Société management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Société's financial position as at August 31, 2001 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Guy Breton, FCA
Auditor General of Québec

Québec, November 9, 2001

SOCIÉTÉ DE L'ASSURANCE AUTOMOBILE DU QUÉBEC
(R.S.Q., c. S-11.011)

REVENUE AND EXPENDITURE
for the year ended December 31
(in thousands of dollars)

	2001			2000
	Current year	Prior years	Total	Total
REVENUE				
Contributions				
Vehicle registration	504 210		504 210	502 118
Driver's licences	119 272		119 272	118 322
Fees collected on vehicle registration and driver's licence transactions	85 592		85 592	81 365
Net income from investments related to the actuarial liability and average cash flow (Note 4)	20 062	477 481	497 543	513 979
Gouvernement du Québec contribution for funding road checks	46 189		46 189	42 069
Other	726		726	2 237
	776 051	477 481	1 253 532	1 260 090
EXPENDITURE				
Compensation paid (Note 5)	163 751	530 488	694 239	628 030
Administrative expenses (Note 6)	220 247	45 978	266 225	240 974
Programs for handicapped persons (Note 7)	6 645		6 645	5 207
Contribution to funding of agencies (Note 8)	47 238	6 774	54 012	51 696
Normal fluctuation in actuarial liability (Note 9)	642 339	(205 163)	437 176	333 360
Change in allowance for fluctuation in the real rate of return (Note 16)	(15 033)	15 021	(12)	36 049
	1 065 187	393 098	1 458 285	1 295 316
EXCESS (DEFICIT) REVENUE OVER EXPENDITURE BEFORE THE FOLLOWING ITEMS	(289 136)	84 383	(204 753)	(35 226)
Other net investment income (Note 4)	223 547		223 547	152 285
Adjustment to actuarial liability (Note 10)		(51 882)	(51 882)	(113 947)
EXCESS (DEFICIT) REVENUE OVER EXPENDITURE	(65 589)	32 501	(33 088)	3 112

SOCIÉTÉ DE L'ASSURANCE AUTOMOBILE DU QUÉBEC

CONTINGENCY FUND
for the year ended December 31
(in thousands of dollars)

	2001	2000
OPENING BALANCE	290 409	263 570
Transfer from unappropriated surplus	29 343	26 839
CLOSING BALANCE	319 752	290 409

UNAPPROPRIATED SURPLUS
for the year ended December 31
(in thousands of dollars)

	2001	2000
OPENING BALANCE	233 876	257 603
Excess (deficit) revenue over expenditure	(33 088)	3 112
Transfer to contingency fund	(29 343)	(26 839)
CLOSING BALANCE	171 445	233 876

SOCIÉTÉ DE L'ASSURANCE AUTOMOBILE DU QUÉBEC

BALANCE SHEET
as at December 31
(in thousands of dollars)

	2001	2000
ASSETS		
Accounts receivable	5 924	9 635
Accrued investment income	39 240	51 096
Fund entrusted to the Caisse de dépôt et placement du Québec (Note 11)	7 408 652	6 966 821
Fixed assets (Note 12)	121 626	102 587
	7 575 442	7 130 139
LIABILITIES AND SURPLUS		
Outstanding cheques in excess of bank balance	4 937	3 282
Line of credit with the Caisse de dépôt et placement du Québec (Note 13)	39 617	32 506
Accounts payable and accruals		
Gouvernement du Québec	102 258	92 650
Other	33 357	21 287
Allowance for sick leave and vacation time (Note 14)	44 217	41 234
Obligations to accident victims		
Actuarial liability (Note 15)	5 329 206	4 840 148
Deferred contributions	307 535	301 176
Deferred investment income	751 246	801 687
Allowance for fluctuations in the real rate of return (Note 16)	471 872	471 884
	7 084 245	6 605 854
Contingency fund	319 752	290 409
Unappropriated surplus	171 445	233 876
	7 575 442	7 130 139

COMMITMENTS (Note 18)

On behalf of the Board of Directors,
Jacques Brind'Amour
President and Chief Executive Officer

Marthe Lacroix, F.I.C.A., F.C.A.S.
Administrator

SOCIÉTÉ DE L'ASSURANCE AUTOMOBILE DU QUÉBEC

CASH FLOWS
for the year ended December 31
(in thousands of dollars)

	2001	2000
OPERATING ACTIVITIES		
Contributions collected		
Vehicle registration	510 389	500 472
Driver's licence	120 725	118 606
Fees collected on vehicle registration and driver's licence transactions	85 574	81 364
Net investment income		
Investment income collected	287 664	326 823
Interest paid	(109)	(19)
Gouvernement du Québec contribution for funding road checks received	44 671	41 607
Other income collected	1 729	2 237
Compensation paid	(685 468)	(629 229)
Administrative expenses paid	(237 291)	(228 228)
Programs for handicapped persons paid	(6 631)	(5 152)
Contribution paid to funding of agencies	(54 011)	(51 696)
	67 242	156 785
Mandates conferred by the Gouvernement du Québec		
Registration and driver's licence fees		
Collected for the Gouvernement du Québec	703 472	702 618
Remitted to the Gouvernement du Québec	(713 961)	(703 244)
Collected for other governments	27 517	21 326
Remitted to other governments	(27 628)	(21 326)
Taxes		
Collected for the Gouvernement du Québec	689 680	605 826
Remitted to the Gouvernement du Québec	(677 194)	(531 910)
Motorists' contribution to mass transit		
Collected for the Gouvernement du Québec	60 998	59 881
Remitted to the Gouvernement du Québec	(60 971)	(60 059)
Cash flows related to operating activities	69 155	229 897
INVESTMENT ACTIVITIES		
Funds entrusted to the Caisse de dépôt et placement du Québec		
Disbursements for acquisition of participation deposits	(173 955)	(617 644)
Earnings cashed on investments by the Caisse	127 073	428 327
Disbursements for the acquisition of fixed assets	(31 560)	(23 602)
Proceedings for the sale of fixed assets	521	79
Cash flows related to investment activities	(77 921)	(212 840)
INCREASE IN CASH AND CASH EQUIVALENTS	(8 766)	17 057
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(35 788)	(52 845)
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 17)	(44 554)	(35 788)

NOTES TO FINANCIAL STATEMENTS
December 31, 2001
(in thousands of dollars)

1. CONSTITUTION AND PURPOSE

The Société de l'assurance automobile du Québec is a legal person established in the public interest within the meaning of the Civil Code of Québec under the Act respecting the Société de l'assurance automobile du Québec (R.S.Q., c. S-11.011).

Its purpose is to:

- administer the compensation plan for victims of bodily injuries provided for by the Automobile Insurance Act;
- administer the compensation plan for property damage prescribed in Title IV of the Automobile Insurance Act;
- administer the Highway Safety Code, in particular with respect to the registration of road vehicles, permits and licences, vehicle safety standards and obligations in the event of an accident;
- promote highway safety as regards the conduct of highway users as well as the safety standards respecting the vehicles used;
- ensure the monitoring of and control over highway transportation of goods and passengers on highways and in carrier facilities, in particular with respect to the application of:
  - the provisions of the Highway Safety Code;
  - the legislative or regulatory provisions pertaining to highway transportation which are under the responsibility of the departments and agencies designated by the Government, to the extent and on the conditions determined by agreement entered into pursuant to Title VIII.2 of the Highway Safety Code;
- assume operational coordination in matters pertaining to the control of highway transportation between the departments and agencies concerned and to promote stricter road checks throughout Québec.
- establish a program for the adaptation of road vehicles so that persons with disabilities may drive or have access to such vehicles.

To this end, the Société may:

- collect the duties, fees, insurance contributions and the contributions of motorists to public transit with respect to vehicle registration;
- collect the duties, fees, and insurance contributions with respect to permit issues.

2. FUNDING POLICY

The objectives of the Société's funding policy, which is based on the full funding principle, of intergenerational equity and adequate funding of its financial obligations, establishes the following principles:

- target full capitalization that guarantees beneficiaries payment of present and future compensation, including future management fees linked to disposal of the actuarial debt;
- with the Government's approval, set insurance contribution rates that will ensure sufficient funding to cover the projected financial requirements;
- seek to act equitably vis-à-vis future generations of insured members when setting insurance contributions and administrative fees;
- calculate the actuarial liability on the base of the best estimate; in terms of the assumption regarding the real rate of return, the best estimate concept falls within a long-term perspective that reflects a particular environment of the insurance plan administered by the Société;

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

2. FUNDING POLICY (cont'd)

- establish a provision, not to exceed 10% of the actuarial liability, to cover fluctuations in the real rate of return in relation to the rate assumption used to establish the actuarial liability so as to limit the impacts of economic fluctuations;

- establish an insurance contribution contingency fund not to exceed 6% of the actuarial liability to promote relative stability in rates that may be influenced by non-economic factors.

- establish any other reserve in order to deal with situations characterized by multiple risks or financial needs that might have significant impacts on its financial health;

- the balance of the unassigned surplus is available on the terms and conditions that the Société determines with the government's approval.

3. ACCOUNTING POLICIES

The Société's financial statements were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

a) Deposits with an individual fund of the Caisse de dépôt et placement du Québec

Participation deposits with an individual fund of the Caisse de dépôt et placement du Québec are recorded at a value based on the single moving average of market values over a 60-month period.

This value comprises the acquisition cost of the participation deposit units increased (decreased) by the cumulated capital gain (capital loss) of these units established using the method described below.

The change in this value constitutes the capital gain (capital loss) posted to results.

b) Fixed assets

Fixed assets are recorded at historical cost and depreciated as follows, taking into account their residual value:

	Method	Useful life
Buildings	Straight-line	40 years
Head office furnishings	Straight-line	10 years
Equipment	Straight-line	Maximum 5 years
Automotive equipment	Straight-line	Maximum 5 years
Photography stations	Straight-line	Maximum 5 years
Data processing equipment and software	Straight-line	Maximum 5 years
Computer systems development	Straight-line	Maximum 7 years
Highway control stations:		
Buildings	Straight-line	10 years
Site development	Straight-line	10 years
Equipment	Summary-of-the-years' digits	Maximum 10 years

c) Actuarial liability

The actuarial liability corresponds to:

- the capitalized value of income replacement and death benefits and other indemnities;

- the estimated current value of future administrative expenses required for the payment of indemnities.

3. ACCOUNTING POLICIES (cont'd)

c) Actuarial liability (cont'd)

Economic assumptions are established based on a long-term real rate of return of 3.75%.

Amounts posted to the statement of revenue and expenditure item "Change in actuarial liability" are the result of changes in actuarial assumptions, calculation methods and legislative and regulatory amendments.

d) Contributions

Contributions from vehicle registration and driver's licences are posted to revenue in the period between the beginning of the month during which issue or renewal takes place and the end of the month preceding the date of expiry.

e) Deferred investment income

Gains and losses on the sale of investments by the Caisse de dépôt et placement du Québec are recorded as deferred investment and then posted to results using the straight-line method over a 60-month period.

f) Allowance for fluctuations in the real rate of return

The allowance for fluctuations in the real rate of return comprises the accumulated annual surplus or deficit resulting from the recognized spread between the observed real rate of return and the rate of return assumption used to calculate the actuarial liability. The annual change in this allowance is shown separately in the statement of revenue and expenditure. Unlike in previous years, the allowance has been limited to the equivalent of 10% of the actuarial liability. Surpluses and deficits posted to the allowance are amortized according to the straight-line method over a period of 5 years.

g) Contingency fund

A contingency fund (s. 152.1 of the Act) is created to promote relative stability in rates that are influenced by non-economic factors. This fund is not to exceed 6% of the actuarial liability and will be reviewed regularly by the Société's Board of Directors.

h) Pension plans

Société employees contribute to Gouvernement du Québec interenterprise defined-benefit plans. The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the Commission lacks sufficient information to apply the accounting procedure for defined-benefit plans. Since the Société lacks sufficient information to use the accounting procedure the defined-benefits plans, it uses the accounting procedure for defined-condition plans.

i) Cash and cash equivalents

The Société's policy consists in presenting under cash and cash equivalents bank balances, including bank overdrafts whose balances often fluctuate between overdraft and available, and the line of credit used to cover monthly cash shortages.

4. NET INVESTMENT INCOME

	2001	2000
Participation deposits with and individual fund of the Caisse de dépôt et placement du Québec		
Net fund income	400 779	729 527
Less:		
Gains and loss on investments realized by the Caisse	125 238	429 266
Amounts carried forward	275 541	300 261

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

4. NET INVESTMENT INCOME (cont'd)

	2001	2000
Amounts brought forward	275 541	300 261
Plus:		
Amortization of deferred investment income	175 679	200 422
Capital gain (capital loss) disclosed on demand deposits	267 877	161 458
	719 097	662 141
Interest		
Demand deposits	1 718	3 776
Bank balances	372	378
Line of credit	(97)	(31)
	721 090	666 264

	2001			2000
	Current year	Prior years	Total	Total
Net income from investments related to actuarial liability and average cash flows	20 062	477 481	497 543	513 979
Other net investment income	223 547		223 547	152 285
	243 609	477 481	721 090	666 264

Net investment income of $477 481 000 (2000: $490 967 000) assigned to previous years is generated by investments related to the actuarial liability for those years. That attributed to the current year, $20 062 000 (2000: $23 012 000), is generated by the assets acquired with the average cash flows of operations for the current year.

Net other investment income assigned to the current year is generated mainly by investments related to deferred contributions, the allowance for fluctuations in the real rate of return, the contingency fund and the unappropriated surplus.

The capital gain (capital loss) posted to results using the market value moving average method (called value based on market value in 2000) changed from amortization of the declining balance of 20% annually to a single average over 60 months as of the current fiscal year. Deferred investment income posted to results changed from amortization of the declining balance of 20% annually to the straight-line method over 60 months as of the current fiscal year. This increases the fiscal year's net investment income by $300 651 000 and increases the amounts entrusted to the Caisse de dépôt et placement du Québec s at December 31, 2001.

5. COMPENSATION PAID

	2001			2000
	Current year	Prior years	Total	Total
Income replacement benefits	38 347	226 389	264 736	236 571
Death benefits	26 828	59 415	86 243	89 980
Health care services[1]	58 953	29 701	88 654	79 664
Lump sum indemnities for permanent after effects		71 176	71 176	74 836
Amounts carried forward	124 128	386 681	510 809	481 051

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

5. COMPENSATION PAID (cont'd)

	2001			2000
	Current year	Prior years	Total	Total
Amounts brought forward	124 128	386 681	510 809	481 051
Rehabilitation costs	7 494	44 765	52 259	37 167
Personal care	2 791	35 342	38 133	32 886
Medical and paramedical expenses	9 538	25 591	35 129	31 200
Non-pecuniary damage	5 469	16 565	22 034	11 097
Travelling and accommodation expenses	2 728	9 979	12 707	11 632
Medical information	1 493	7 436	8 929	7 311
Cost of ambulance services	5 935	203	6 138	7 541
Other expenses	4 175	3 926	8 101	8 145
	163 751	530 488	694 239	628 030

[1] This item represents the Société's contribution to the Consolidated Revenue Fund of the Gouvernement du Québec in lieu of billing health care costs incurred as a result of automobile accidents and provided for in the Automobile Insurance Act. The contribution for 2001 was established under section 155.1 of the said Act.

6. ADMINISTRATIVE EXPENSES

	2001			2000
	Société	Road checks	Total	Total
Salaries and fringe benefits	119 371	28 547	147 918	137 866
Travelling expenses	1 963	1 283	3 246	2 787
Agents' remuneration	15 118		15 118	14 413
Administrative and professional services	18 513	1 700	20 213	17 007
Communications	9 578	1 954	11 532	10 360
Information and advertising	6 481	214	6 695	5 515
Furniture, fixtures and equipment	1 682	1 124	2 806	2 686
Maintenance	1 844	2 035	3 879	3 464
Rent, taxes and electricity	8 703	1 677	10 380	10 022
Data processing and office automation equipment	4 930	206	5 136	2 819
Rental and maintenance of data processing and office automation equipment	10 472	954	11 426	10 596
Printing, supplies and other expenses	12 351	1 837	14 188	13 030
Overhead	(4 502)	4 502		
	206 504	46 033	252 537	230 565
Depreciation of fixed assets	12 073	1 615	13 688	10 409
	218 577	47 648	266 225	240 974

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

7. PROGRAMS FOR HANDICAPPED PERSONS

	2001	2000
Vehicle adaptation		
Subsidies	5 992	4 634
Administrative costs	197	219
	6 189	4 853
Parking stickers		
Administrative costs	350	283
System amortization	106	71
	456	354
	6 645	5 207

The vehicle adaptation program is based on the legal provisions stipulated in section 2g of the Act respecting the Société de l'assurance automobile du Québec (R.S.Q., c. S-11.011).

8. CONTRIBUTION TO FUNDING OF AGENCIES

	2001			2000
	Current year	Prior years	Total	Total
Agencies responsible for ambulance services	47 238		47 238	46 186
Tribunal administratif du Québec		6 774	6 774	5 510
	47 238	6 774	54 012	51 696

The contribution to funding of agencies responsible for ambulance services is provided for in sections 155.5 and 155.6 of the Automobile Insurance Act. That of the Tribunal administratif du Québec is established by orders-in-council of the Gouvernement du Québec.

9. NORMAL FLUCTUATION IN ACTUARIAL LIABILITY

This item, which represents $437 176 000 (2000: $333 360 000), is composed of a $642 339 000 increase (2000: $600 174 000), representing the amount needed to pay all compensation, present and future, resulting from accidents that occurred in the current year, and a $205 163 000 decrease (2000: $266 814 000) comprising a $305 026 000 decrease (2000: $299 428 000) to cover the payment of compensation during the fiscal year, compensation to accident victims from previous years, anticipated investment income and an increase of $99 863 000 (2000: $32 614 000) representing discrepancies observed in the past.

10. ADJUSTMENT TO ACTUARIAL LIABILITY

The $51 882 000 decrease in the surplus of revenue over expenditure reflects the impact of the modifications to actuarial assumptions and methods on tax rules and administrative practices. Most of this impact is due to changes of a fiscal nature in the calculation of income replacement indemnities (+$44 921 000), new reserve evaluation assumptions for personal assistance (-$35 370 000), rehabilitation, medical and paramedical expenses (+$33 449 000) and administrative changes resulting from Québec Court of Appeal decisions (+$7 613 000).

11. FUNDS ENTRUSTED TO THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

Participation deposits in an individual fund of the Caisse de dépôt et placement du Québec are expressed in units. Units are redeemable on advance notice according to the terms of payment set by the Caisse de dépôt at the market value of the net equity of the individual fund at the beginning of each month. At the end of each month, the Caisse allocates to the Société the net investment income.

	2001	2000
Participation deposits		
Number of units	6 683 183	6 526 669
Acquisition cost of units	6 229 209	6 055 255
Cumulated capital gain (capital loss) of participation deposit units	1 179 443	911 566
	7 408 652	6 966 821

At December 31, 2001, the market value of the participation deposit units was $6 928 375 000 (2000: $7 612 651 000).

12. FIXED ASSETS

	2001			2000
	Cost	Accumulated depreciation	Unamortized cost	Unamortized cost
Land	1 862		1 862	1 862
Buildings [1]	61 307	15 931	45 376	46 083
Head Office furnishings	11 212	11 212		572
Equipment	2 716	2 266	450	515
Automotive equipment	9 037	3 668	5 369	4 113
Photography stations	12 038	9 667	2 371	3 200
Data processing equipment and software	36 540	25 679	10 861	8 740
Computer systems development [2]	63 308	10 518	52 790	34 952
Highway carrier monitoring weigh station	4 302	1 755	2 547	2 550
	202 322	80 696	121 626	102 587

[1] Head Office, for which the amount of $57 008 000 is included in this item, is held under a divided co-ownership contract with the City of Québec. The Société has sole ownership of most of the Head Office complex and holds 84.4% of the undivided rights for the common areas.

[2] Computer systems development totalling $26 113 000 (2000: $19 162 000) was being carried out at December 31, 2001.

13. LINE OF CREDIT WITH THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

The Société obtained a $100 million line of credit with the Caisse to offset monthly cash shortages. It bears interest based on the daily market rate for borrowings plus 0.05%. The interest rate was 2.35% at December 31, 2001 (2000: 5.90%). This credit line expires on December 31, 2001.

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

14. ALLOWANCE FOR SICK LEAVE AND VACATION TIME

	2001			2000
	Sick leave	Vacation time	Total	Total
Opening balance	29 414	11 820	41 234	39 068
Plus				
Charge for the year	8 177	11 798	19 975	18 236
Less				
Benefits paid during the year	6 214	10 778	16 992	16 070
Closing balance	31 377	12 840	44 217	41 234

15. OBLIGATIONS TO ACCIDENT VICTIMS - ACTUARIAL LIABILITY

	2001			2000
	Current year	Prior years	Total	Total
Compensation				
Capitalized value of future indemnities including pension adjustment	592 609	4 497 675	5 090 284	4 622 218
Future administrative expenses				
Estimated current value of expenses necessary for the payment of indemnities	49 730	189 192	238 922	217 930
	642 339	4 686 867	5 329 206	4 840 148

16. ALLOWANCE FOR FLUCTUATIONS IN THE REAL RATE OF RETURN

	2001			2000
	Current year	Prior years	Total	Total
Opening balance	47 887	423 997	471 884	435 835
Change during the year				
Assigned surplus	(2 860)	122 648	119 788	238 272
Maximum allowance				(116 391)
	(2 860)	122 648	119 788	121 881
Amortization for the year	(12 173)	(107 627)	(119 800)	(85 832)
Net change during the year	(15 033)	15 021	(12)	36 049
Closing balance	32 854	439 018	471 872	471 884

Beginning this fiscal year, the amortization period for surpluses or deficits posted to the provision changed from an 8-year straight-line amortization to a 5-year. The new manner of recording investment income, the reduction in the amortization period and the addition of new parameters in calculating the provision increased the expenditures for the fiscal year's net variation by $103 534 000 and increased the provision for the fluctuation of the real rate of return as at December 31, 2001 by the same.

17. CASH FLOWS

Cash and cash equivalents shown in the cash flow statement include the following items in the balance sheet:

	2001	2000
Outstanding cheques in excess of bank balance	4 937	3 282
Line of credit with the Caisse de dépôt et placement du Québec	39 617	32 506
Deficiency in cash and cash equivalents	44 554	35 788

During the year, the Société disbursed $31 560 000 (2000: $23 602 000) for the acquisition of fixed assets and suffered $202 000 loss (2000: $123 000) on the sale of fixed assets. At December 31, 2001, accounts payable and costs incurred in relation to fixed assets totalled $2 612 000 (2000: $616 000).

18. COMMITMENTS

As at December 31, 2001, the minimum contractual commitments for office space are as follows:

2002	5 919
2003	5 536
2004	4 571
2005	3 000
2006	1 962
2007 and thereafter	4 352
	25 340

19. PENSION PLANS

The employees of the Société participate in the Government and Public Employees Retirement Plan (RREGOP), the Civil Service Superannuation Plan (CSSP) and the Pension Plan of Management Personnel (PPMP). Interenterprise plans are defined-benefit plans and include guaranteed payments upon retirement and death.

The Société's contributions charged to the year-end statement amount to $4 244 000 (2000: $4 341 000). The Société's liability towards these Government plans is restricted to its contributions as an employer.

20. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements, the Société transacts with government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Société did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

21. COMPARATIVE FIGURES

Certain 2000 figures were reclassified for consistency with the presentation adopted in 2001.

SOCIÉTÉ DE L'ASSURANCE AUTOMOBILE DU QUÉBEC

ACTUARIAL CERTIFICATE
related to the commitments of the Société de l'assurance automobile du Québec
as at December 31, 2001

The valuation as at December 31, 2001, of the amount necessary for the payment of all present and future compensation resulting from accidents that occurred before January 1, 2002, was made in accordance with section 153 of the Automobile Insurance Act (R.S.Q., c. A-25).

Indemnities covered by the valuation are those provided for under Title II, Chapter II of Title IV and Chapter II of Title V of the Automobile Insurance Act, for accidents that occurred from March 1, 1978 to December 31, 2001, and those provided for under Chapter III of Title IV of the Act, for accidents that occurred between September 30, 1961 and March 1, 1978. The amount needed to pay indemnities was calculated taking administrative expenses related to the discharge of compensation obligations into account.

In our opinion, the actuarial liability of $5 329 206 million as at December 31, 2001 represents sufficient allowance for the payment of these indemnities.

To reflect the provisions of the Automobile Insurance Act governing readjustment of compensation, the assumed real rate of return, defined from a long-term perspective, is set at 3.75%. The Société adopted a mechanism to allow the amortization of financial impacts from the annual discrepancies in the assumed real rate of return and the actual rate.

The actuarial liability as at December 31, 2001 is up $489 058 million over last year. This increase includes $437 176 million representing the normal fluctuation in actuarial liability, and an adjustment of $51 882 million. The adjustment reflects the impact of the changes to the actuarial assumptions and methods, tax rules and administrative practices. Most of this impact is attributable to changes of a fiscal nature in the calculation of income replacement indemnities (+$44 921 million), new reserve evaluation assumptions for personal assistance (-$35 370 million), rehabilitation, medical and paramedical expenses (+$33 449 million) and the administrative changes resulting from Québec Court of Appeal decisions (+$7 613 million).

The allowance for fluctuations in the real rate of return represents an amount of $471 872 million as at December 31, 2001. This allowance is necessary to attain the objectives of the Société's corporate principles funding policy.

The actuarial liability valuation report contains more detailed information on the elements discussed in this certificate.

In our opinion, the amount of the actuarial liability was established using adequate and reliable data, appropriate actuarial assumptions and calculation methods in accordance with sound actuarial principles.

Linda Bellware, F.S.A., F.I.C.A.
Director, Actuarial Department
Société de l'assurance automobile du Québec

Clément Gosselin, F.S.A., F.I.C.A.
Actuary
Société de l'assurance automobile du Québec

March 13, 2002

SOCIÉTÉ DE L'ASSURANCE AUTOMOBILE DU QUÉBEC

MANAGEMENT'S REPORT

The financial statements of the Société de l'assurance automobile du Québec were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that the assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements. Management carries out audits periodically to ensure that the internal controls applied regularly by the Société are appropriate and consistent.

The Société recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors oversees the manner in which management performs its financial reporting duties, meets with management and the Auditor General, reviews the financial statements and recommends their approval to the board of directors.

Once a year, in accordance with sound actuarial principles, the Société's actuary carries out a valuation of the actuarial liability and the allowance for fluctuations in the real rate of return indicated in the Société's financial statements, and reports the results to the audit committee.

The Auditor General of Québec has audited the Société's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. He was assisted in this task by a consulting actuary. The Auditor General may, without restriction, meet with the audit committee to discuss any matter related to the audit.

Jacques Brind'Amour
President and Chief Executive Officer

Julien Lemieux, C.A.
Vice-President, Administration and
Finance

Québec, March 28, 2002

SOCIÉTÉ DE L'ASSURANCE AUTOMOBILE DU QUÉBEC

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Société de l'assurance automobile du Québec as at December 31, 2001 and the statements of revenue and expenditure, the contingency fund, the unappropriated surplus and cash flows for the year then ended. These financial statements are the responsibility of Société management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Société's financial position as at December 31, 2001 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, March 28, 2002

SOCIÉTÉ DES ALCOOLS DU QUÉBEC
(R.S.Q., c. S-13)

CONSOLIDATED INCOME AND CONSOLIDATED RETAINED EARNINGS
for the year ended March 30, 2002
(in thousands of dollars)

	2002	2001
NET SALES (Note 5)	2 183 379	1 996 891
Taxes, fees, discounts and others (Note 5)	488 716	448 980
NET SALES (Note 5)	1 694 663	1 547 911
OPERATING EXPENSES		
Cost of goods sold (Note 5)	846 535	760 172
Selling, marketing, distribution and administrative expenses	325 440	295 968
	1 171 975	1 056 140
INCOME BEFORE FINANCING CHARGES, AMORTIZATION AND OTHER REVENUE (CHARGE)	522 688	491 771
FINANCING CHARGES AND AMORTIZATION		
Financing charges (Note 6)	8 467	8 108
Depreciation of fixed assets	21 285	12 763
Depreciation of the building leased under a capital lease	407	407
Amortization of other assets	898	510
	31 057	21 788
INCOME BEFORE OTHER REVENUE (CHARGE)	491 631	469 983
OTHER REVENUE (CHARGE)		
Loss resulting from the co-enterprise's obligation to cover a guarantee (Note 16)	(1 077)	
Share in results of an associated corporation	(2 140)	(36)
Gain on dilution of participation in an associated corporation		999
Depreciation of deferred gain on ceding assets to the co-enterprise	270	403
	(2 947)	1 366
NET INCOME	488 684	471 349
RETAINED EARNINGS, BEGINNING OF YEAR	2 010	16 937
CUMULATIVE EFFECT OF THE CHANGE IN THE ACCOUNTING POLICY (Note 3)		(16 276)
DIVIDEND	(487 000)	(470 000)
RETAINED EARNINGS, END OF YEAR	3 694	2 010

The notes are an integral part of the consolidated financial statement.

SOCIÉTÉ DES ALCOOLS DU QUÉBEC

CONSOLIDATED BALANCE SHEET
as at March 30, 2002
(in thousands of dollars)

	2002	2001
ASSETS		
Current assets		
Cash on hand	17 918	
Term deposit		12 240
Accounts receivable (Note 7)	51 284	53 285
Inventories (Note 8)	257 357	232 041
Prepaid expenses	12 247	11 074
	338 806	308 640
Debentures, 10%, maturing July 1, 2009	5 500	7 150
Participation in an associated corporation	3 823	5 963
Fixed assets (Note 9)	208 483	157 013
Building lease under a capital lease (Note 10)	6 105	6 512
Other assets (Note 11)	13 034	7 632
	575 751	492 910
LIABILITIES		
Current liabilities		
Bank overdraft and borrowings (Note 12)	196 000	213 333
Suppliers and other accounts payable (Note 13)	208 582	157 529
Dividend	83 000	37 000
	487 582	407 862
Debentures, 10%, maturing July 1, 2009 (Note 14)	5 500	3 850
Commitment under a capital lease (Note 15)	10 390	11 028
Deferred gain on disposition of joint venture (Note 16)	4 567	4 837
Allowance for cumulated sick leave (Note 17)	34 018	33 323
	542 057	460 900
SHAREHOLDER'S EQUITY		
Capital stock		
Authorized, issued and paid up:		
300 000 shares at a par value of $100	30 000	30 000
Retained earnings	3 694	2 010
	33 694	32 010
	575 751	492 910

CONTINGENCIES AND COMMITMENTS (Note 18)

The notes are an integral part of the consolidated financial statement.

On behalf of the Board of Directors,
Pierre Parent, President of the Board of Directors
Raymond Dutil, Director

SOCIÉTÉ DES ALCOOLS DU QUÉBEC

CONSOLIDATED CASH FLOWS
for the year ended March 30, 2002
(in thousands of dollars)

	2002	2001
OPERATING ACTIVITIES		
Net income	488 684	471 349
Non-cash items:		
Depreciation	22 590	13 680
Loss (Gain) on disposal of fixed assets	195	(737)
Share in results of an associated corporation	2 140	36
Gain on dilution of participation in an associated corporation		(999)
Loss resulting from the co-enterprise's obligation to cover a guarantee (Note 16)	1 077	
Depreciation of the deferred gain on ceding assets to the co-enterprise	(270)	(403)
Charge for sick leave credits	5 253	4 612
	519 669	487 538
Net change in non-liquid asset working capital items (Note 19)	29 250	(65 116)
Use of sick leave credits	(4 384)	(4 254)
Cumulated sick leave credits transferred to employees' registered retirement saving plans	(174)	(286)
Cash flows related to operating activities	544 361	417 882
INVESTMENT ACTIVITIES		
Term deposit	12 240	(12 240)
Participation in an associated corporation		(5 000)
Acquisition of additional shares in the co-enterprise including the bank overdraft taken on (Note 16)	(7 562)	
Acquisition of fixed assets	(72 014)	(74 298)
Disposal of fixed assets	254	1 566
Acquisition of other assets	(456)	
Cash flows related to investment activities	(67 538)	(89 972)
FINANCING ACTIVITIES		
Deviation in bank loans	16 500	159 351
Repayment of commitment under a capital lease	(572)	(513)
Dividend	(441 000)	(529 000)
Cash flows related to financing activities	(425 072)	(370 162)
NET INCREASE (DECREASE0 IN CASH AND CASH EQUIVALENTS	51 751	(42 252)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(33 833)	8 419
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 19)	17 918	(33 833)

The notes are an integral part of the consolidated financial statement.

SOCIÉTÉ DES ALCOOLS DU QUÉBEC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 30, 2002
(in thousands of dollars)

1. CONSTITUTION

The Société des alcools du Québec (the "Société") is established under the Act respecting the Société des alcools du Québec (R.S.Q., c. S-13).

2. FISCAL YEAR

The Société des alcools du Québec's fiscal year ends on the last Saturday in March. Consequently, the fiscal years ended March 30, 2002 and March 31, 2001, include 52 and 53 weeks of operation respectively.

3. CHANGE IN ACCOUNTING POLICY

During the fiscal year ended March 31, 2001, the Société adopted retroactively, without reprocessing previous years' financial statements, the recommendations of the Canadian Institute of Chartered Accountants (CICA) regarding the accounting treatment for future fringe benefits. These recommendations provide guidelines for recording the costs inherent in accumulated sick leave. The adoption of these recommendations increases the long-term liability in terms of the provision for accumulated sick leave credits of $16.3 million and decreases the opening retained earnings of the year ended Marc 31, 2001 by the same amount.

4. SIGNIFICANT ACCOUNTING POLICIES

The Société's consolidated financial statements were prepared in accordance with the accounting principles that are generally accepted in Canada. The principal accounting policies used to prepare the consolidated financial statements are disclosed below:

Consolidation perimeter

The consolidated financial statements include the Société des alcools du Québec's accounts and share of the assets, liabilities, proceeds and costs of Maison des Futailles, SEC, a joint venture in which the Société holds 50% (35% in 2001). This share is recorded using the proportionate consolidation method. Participation in an associated corporation on which the Société exercises notable influence is recorded on an equity basis.

Use of estimates

Preparing financial statements in keeping with generally recognized accounting principles requires management to use estimates and assumptions that affect the amounts of the assets and liabilities recorded, the presentation of eventual assets and liabilities at the date of the financial statements, and the amounts recorded for products and charges during the fiscal year. Real results may differ from these estimates.

Revenue recording

Sales and costs of products sold are recorded when products are delivered.

Currency translation

Monetary items under assets and liabilities denominated in foreign currency are converted at the exchange rate in effect the date of the balance sheet while other items under assets and liabilities are converted at the rate in effect the date of the operation. Proceeds and charges denominated in foreign currency are converted at the average rate for the fiscal year. Exchange gains and losses are included in the fiscal year's results.

The Société manages its foreign exchange risk on outpayments in currency by making use of forward exchange contracts. The resulting gains and losses are recorded at the time they occur and are recorded to the cost of products sold.

Cash and cash equivalents

Cash and cash equivalents include cash and the bank overdraft, which is repayable at sight.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Term deposit

The term deposit is evaluated at the lesser of cost and fair market value.

Inventories

Inventory is valued at the lower of cost and net realizable value. Cost is calculated according to the first in, first out (FIFO) method.

Fixed assets

Fixed assets are recorded at cost and amortized according to their probable service life. Depreciation is calculated using the straight-line method, with the exception of depreciation on automotive equipment acquired before March 28, 1999, which is calculated using the diminishing balance method. The following annual rates are used:

Buildings	2.5% and 10%
Furniture and equipment	Rate varying between 2.8% and 50%
Automotive equipment	Rate varying between 10% and 30%
Leasehold improvements	According to the term of the leases
Paving and parking	8%

Building leased under a capital lease

The building leased under a capital lease is recorded at cost, i.e. at the present value of the minimum payments required under the lease. Depreciation is calculated using the straight-line method at the annual rate of 2.5%.

Other assets

Other assets, recorded at cost, include the Société's share in trademarks, goodwill and joint venture pre-development expenses. Trademarks, goodwill and pre-development expenses are amortized using the straight-line method, on terms of 20 and 7 years respectively. The Société reviews the book value of trademarks and goodwill on an annual basis in order to determine whether there has been a drop in the permanent value by measuring the estimated fair value of these other assets according to undiscounted expected future self-generated funds.

Fringe benefit plans

Cumulated sick leave credits

The Société administers a defined-benefit plan that guarantees most employees of payment for sick leave credits. The cost of future benefits in terms of payment of sick leave credits earned by Société employees participating in the plan is established using actuarial calculations, according to the method of projecting costs on a prorated basis using years of service, and is posted to results as the services are rendered by these employees. The actuarial calculations reflect the most probable assumptions made by management regarding salary progression, retirement age and rate of use of sick leave credits. The Société reviews the book value of trademarks and goodwill annually to determine whether there has been a permanent drop in value by measuring the estimated fair value of these other assets in keeping with uncapitalized forecast future self-generated funds.

Pension plans

Société employees participate in government and public employee retirement plans. These plans, administered by the Commission administrative des régimes de retraite et d'assurances du Québec, are defined-benefit plans and include guarantees on retirement and death. The accounting procedure for defined-contribution plans is applied to these plans.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
March 30, 2002
(in thousands of dollars)

5. NET SALES AND COST OF GOODS SOLD

	Outlets and specialized services	Wholesale grocers	Sub-total	Brewers and beer distributors [1]	Total 2002	Total 2001
Gross sales	1 719 475	324 615	2 044 090	139 289	2 183 379	1 996 891
Less:						
- Québec sales tax	116 479	19 955	136 434	9 690	146 124	132 898
- Duties from permit holders	23 931		23 931		23 931	22 000
- Specific tax	67 719	26 046	93 765		93 765	85 784
- Specific duties	19 171		19 171		19 171	18 046
- Federal goods and services tax	101 722	17 406	119 128	8 443	127 571	116 000
- Discounts and returns	34 058	1 981	36 039		36 039	36 966
- Remuneration of wholesale grocers		37 395	37 395		37 395	33 768
- Levies for separate collection	2 199	579	2 778		2 778	2 481
- Levies for the Fonds Éduc'alcool Inc.	1 613	329	1 942		1 942	1 037
	366 892	103 691	470 583	18 133	488 716	448 980
Net sales	1 352 583	220 924	1 573 507	121 156	1 694 663	1 547 911
Cost of goods sold [2]	613 139	112 240	725 379	121 156	846 535	760 172

[1] Holders of a brewer's or beer distributor's permit may sell and deliver, within Québec, beer made in other provinces or outside Canada by themselves or affiliated companies. These products must be purchased exclusively from the Société des alcools du Québec.

[2] The cost of products sold during the fiscal year ended March 31, 2001 includes a $12.2 million federal sales tax refund.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
March 30, 2002
(in thousands of dollars)

6. FINANCING CHARGE

	2002	2001
Interest on bank borrowings	9 494	8 510
Interest on debentures payable	550	385
Interest on the obligation resulting from a capital lease arrangement	1 244	1 330
	11 288	10 225
Less: Investment interest, term deposit and other	(2 271)	(1 391)
Interest debentures receivable	(550)	(726)
	(2 821)	(2 117)
	8 467	8 108

7. ACCOUNTS RECEIVABLE

	2002	2001
Wholesale grocers	13 834	22 742
Licensed establishments, institutions and other commercial accounts	37 450	30 543
	51 284	53 285

8. INVENTORIES

	2002	2001
Bottled beverages	246 437	222 479
Bulk beverages and production equipment	9 004	7 701
Miscellaneous supplies	1 916	1 861
	257 357	232 041

9. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net value	Net value
Land	11 549		11 549	9 482
Buildings	63 176	14 023	49 153	40 924
Furniture and equipment	187 744	65 655	122 089	84 196
Automotive equipment	10 994	4 944	6 050	5 651
Leasehold improvements	32 166	13 643	18 523	15 669
Paving and parking	3 165	2 046	1 119	1 091
	308 794	100 311	208 483	157 013

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
March 30, 2002
(in thousands of dollars)

10. BUILDING LEASED UNDER A CAPITAL LEASE

	2002			2001
	Cost	Accumulated depreciation	Net value	Net value
Building	16 280	10 175	6 105	6 512

11. OTHER ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net value	Net value
Trademarks and goodwill	13 566	1 809	11 757	6 763
Pre-development expenses	1 675	674	1 001	869
Other	276		276	
	15 517	2 483	13 034	7 632

12. BANK OVERDRAFT AND BORROWINGS

	2002	2001
Bank overdraft		33 833
Short-term borrowings	196 000	179 500
	196 000	213 333

The Société is authorized by the Gouvernement du Québec and by its board of directors to contract short-term bank borrowings of less than one year provided that its total borrowings do not exceed $400 million (2001: $220 million). Bank borrowings as at March 30, 2002 comprise five term loans (six at March 31, 2001) bearing interest at the following rates: 2.09% and 2.10% (2001: 5.03% to 5.15%) and maturing in 14 days or less (2001: 12 days or less).

13. SUPPLIERS AND ACCOUNTS PAYABLE

	2002	2001
Suppliers	135 285	110 180
Government duties and taxes	45 821	23 084
Salaries and fringe benefits	27 476	24 265
	208 582	157 529

14. DEBENTURES

This amount represents the Société des alcools du Québec's share in the $22 million joint venture unguaranteed debentures. They are repayable in four instalments of $2.0 million as of July 1, 2004 and one final instalment of $14.0 million on July 1, 2009. The Société's share in these instalments is $0.5 million ($0.4 million in 2001) and $3.5 million ($2.5 million in 2001) respectively.

Should it default, the Société has the right to convert any portion of the principle and accrued interest into a number of shares in the joint venture equal to the amount of the debenture converted divided by the book value of one share at the time of the conversion.

15. COMMITMENT UNDER A CAPITAL LEASE

	2002	2001
Commitment related to the leasing of building, repayable in monthly instalments of $152 000 until April 11, 2012, including interest calculated at the semi-annual capitalized rate of 11%	11 028	11 600
Less: Portion due within one year	(638)	(572)
	10 390	11 028

Instalments due in subsequent years:

	Principal	Interest	Total
2003	638	1 182	1 820
2004	712	1 108	1 820
2005	795	1 025	1 820
2006	887	933	1 820
2007	989	831	1 820
2008 – 2012	7 007	2 148	9 155
	11 028	7 227	18 255

16. PARTICIPATION IN A JOINT VENTURE

On May 31, 1999, the Société des alcools du Québec, the Fonds de solidarité des travailleurs du Québec, Les Vins Andrès de Québec Ltée and 9072-3479 Québec Inc. merged their respective commercial bottling and marketing activities for certain wines and spirits and created the Maison des Futailles, SEC, a joint venture in which the Société acquired a 35% participation The deferred gain resulting from the operation, whose balance was $4.6 million at March 30, 2002 ($4.8 million at March 31, 2001), is amortized over 20 years.

On April 1, 2001, the Société and the Fonds de solidarité des travailleurs du Québec acquired the shares held by Les Vins Andrès du Québec Ltée and 9072-3479 Québec inc. The total consideration of $14.8 million was paid in cash. The Société's share was $7.4 million, bringing its share in the co-enterprise to 50%. The acquisition was recorded using the outright purchase method. The acquisition cost was broken down into assets acquired and liabilities taken on based on their estimated fair value at the date of acquisition.

The values attributed to the net assets acquired during this operation are as follows:

Current assets	5 889
Fixed assets	1 190
Other assets	5 843
	12 922
Current liabilities	2 232
Debentures	3 300
	5 532
	7 390
Consideration paid	7 390

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
March 30, 2002
(in thousands of dollars)

16. PARTICIPATION IN A JOINT VENTURE (cont'd)

During the fiscal year, the co-enterprise recorded a loss of approximately $2.2 million in its financial statements for guarantees it committed to paying to a financial institution and to the Fonds de solidarité des travailleurs du Québec acting as creditor of a co-enterprise in which Maison des Futailles, S.E.C. had to acquire 50% of the shares. The Société charged its share of this loss (approximately $1.1 million) to the consolidated operations for the fiscal year.

The following amounts represent the Société's share in the joint venture, including the proceeds, charges and intercorporate accounts that were eliminated in the consolidation.

	2002	2001
Income		
Net sales	45 307	35 343
Cost of goods sold	33 340	26 666
	11 967	8 677
Operating costs	9 264	6 099
Financing charge	1 140	700
Depreciation	1 882	1 216
	12 286	8 015
	(319)	662
Loss resulting from the obligation to cover a guarantee	(1 077)	
Net gain (Net loss)	(1 396)	662
Balance Sheet		
Current assets	18 793	13 794
Long-term assets	21 867	15 922
	40 660	29 716
Current liabilities	7 124	5 264
Long-term liabilities	11 000	7 700
Shareholder's equity	22 536	16 752
	40 660	29 716
Cash flows		
Cash flows related to operating activities	1 894	632
Cash flows related to investment activities	(1 005)	(460)

17. FRINGE BENEFITS

The Société's charges under fringe benefit plans is as follows:

	2002	2001
Sick leave credits		
Defined-benefits plan	5 253	4 612
Pension plans		
Defined-contribution plans		
Current services	5 100	3 600

The provision for cumulated sick leave credits is established as follows:

	2002	2001
Opening balance	33 323	16 975
Cumulative effect of the change in the accounting policy (Note 3)		16 276
Adjusted balance	33 323	33 251
Charge for fiscal year	5 253	4 612
Use of sick leave credits	(4 384)	(4 254)
Transfer to employees' registered retirement savings plans	(174)	(286)
Closing balance	34 018	33 323

The significant assumptions used by the Société to evaluate its obligation with regard to future benefits are as follows:

Capitalization rate	7.0% in 2001 6.5% in 2002
Annual salary growth rate	1.5% in 2001 2.0% in 2002 2.5% in 2003 3.0% for previous years
Rate of use of sick leave credits	75%

18. CONTINGENCIES AND COMMITMENTS

Contingencies

In the normal course of its operations, the Société des alcools du Québec also faces various claims and proceedings, primarily for damages, totalling nearly $3.5 million. Société management is contesting these proceedings and therefore objects to handling the resulting claims. According to its legal counsel, the arguments in its defence for each case are sound.

No allowance has been recorded in the Société's books for these contingencies.

18. CONTINGENCIES AND COMMITMENTS (cont'd)

Commitments

The Société des alcools du Québec is committed to operating leases for outlets and certain warehouses, which call for payments of $274.6 million. Lease payments for the coming fiscal years are as follows:

2003	32 859
2004	29 914
2005	28 506
2006	27 274
2007	25 467
2008 – 2015	130 575

Environment

The Société's activities are governed by environmental legislation, regulations and guidelines adopted by Government authorities. Management considers that the environmental hazards are managed appropriately and that no current or probable liability can be envisaged.

19. ADDITIONAL INFORMATION – CASH FLOW STATEMENT

The cash flows related to operations includes the following:

	2002	2001
Interest paid	8 811	7 936

Net deviation of non-cash elements of the Working Capital Fund breaks down as follows:

Accounts receivable	3 895	(10 067)
Inventories	(21 856)	(42 746)
Prepaid expenses	(640)	1 555
Suppliers and accounts payable	47 851	(13 858)
	29 250	(65 116)

Cash and cash equivalents at fiscal year-end include the following items:

Cash on hand	17 918	
Bank overdraft		(33 833)
	17 918	(33 833)

20. FINANCIAL INSTRUMENTS

Fair value of financial instruments

	2002		2001	
	Fair value	Book value	Fair value	Book value
Debentures receivable, 10%, maturing on July 1, 2009	5 443	5 500	7 182	7 150
Debentures payable, 10%, maturing on July 1, 2009	5 443	5 500	3 867	3 850
Commitment under a capital lease	13 509	11 028	14 431	11 600

20. FINANCIAL INSTRUMENTS (cont'd)

Fair value of financial instruments (cont'd0

The book value of certain financial instruments maturing in the short term is assumed to correspond to their fair value. These financial instruments include cash, accounts receivable, the bank overdraft and borrowings, suppliers and other accounts payable, with the exception of government taxes and royalties.

The fair value of debentures receivable and payable was determined by discounting future cash flows at the interest rates from which the Société could currently benefit for debentures with similar conditions and maturity dates.

The fair value of the obligation resulting from a capital lease contract represents the present value of future monthly instalments at the annual interest rate for Gouvernement du Québec obligations, composed semi-annually and maturing in 2012, i.e. 6.5% in 2002 (2001: 6.4%).

The fair value of the provision for cumulated sick leave appropriation cannot reasonably be determined.

Interest rate risk

Debentures receivable bear interest at a fixed rate, thereby exposing the Société to the risk that the market rate might be higher than the one for this asset.

The obligation resulting from a capital lease contract and debentures payable bear interest at a fixed rate, thereby exposing the Société to the to the risk that the market rate might be lower than the one for this liability.

Derivative financial instruments

During the fiscal year, in order to reduce the possible negative effects of a decline in the Canadian dollar on exchange markets, the Société has entered into forward exchange contracts denominated in French francs, Italian lira and Euros. Two forward exchange contracts existed at fiscal year-end and their fair value corresponded approximately to their respective contract price. No term exchange contract matured in fiscal 2002.

	Forward rate		Contract price	
	2002	2001	2002	2001
Forward exchange contracts, less than 12 months		0.2151		3 604

21. COMPARATIVE FIGURES

Certain comparative figures were reclassified for consistency with the presentation adopted during the year.

SOCIÉTÉ DES ALCOOLS DU QUÉBEC

AUDITORS' REPORT

The Honourable Pauline Marois
Deputy Prime Minister and
Minister of State for the Economy and Finance
Shareholder of the
Société des alcools du Québec

We have audited the consolidated balance sheet of the Société des alcools du Québec as at March 30, 2002 and the consolidated statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of Société management. Our responsibility consists in expressing an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Société des alcools du Québec as at March 30, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), we report that, in our opinion, these principles were applied on a basis consistent with that of the preceding year.

Raymond Chabot Grant Thornton
Chartered Accountants
General Partnership

Montréal, May 10, 2002

SOCIÉTÉ DES ÉTABLISSEMENTS DE PLEIN AIR DU QUÉBEC
(R.S.Q., c. S-13.01)

INCOME
for the years ended March 31
(in thousands of dollars)

	2002	2001
REVENUE		
Fishing and vacation resorts	18 736	16 583
Hunting	11 680	10 224
Hotels and food services	9 728	8 378
Other outdoor activities	11 012	7 330
Management fees	14 625	13 566
Concessions and miscellaneous	4 168	3 439
	69 949	59 520
EXPENDITURE		
Salaries and fringe benefits	36 106	32 012
Maintenance	11 702	10 071
Overhead and administrative expenses	8 735	8 571
Resale products	4 836	4 547
Sales and marketing expenses	3 798	2 723
Property taxes and rights	1 372	1 140
	66 549	59 064
OPERATING RESULTS BEFORE AMORTIZATION AND SUBSIDIES	3 400	456
Amortization	(2 303)	(2 011)
Subsidies (Note 3)	1 414	575
OPERATING RESULTS	2 511	(980)
FINANCIAL CHARGES (Note 11)	(187)	(1 235)
SHARE IN THE INCOME OF THE AFFILIATED COMPANY	22	98
GAIN (LOSS) ON DISPOSAL OF ASSETS	323	(107)
INCOME ON CONTINUING OPERATIONS	2 669	(2 224)
Discontinued operations (Note 4)	1 041	964
NET INCOME	3 710	(1 260)

SOCIÉTÉ DES ÉTABLISSEMENTS DE PLEIN AIR DU QUÉBEC

ACCUMULATED DEFICIT
for the years ended March 31
(in thousands of dollars)

	2002	2001
OPENING BALANCE	(37 035)	(42 775)
Transfer from contributed surplus (Note 3)		7 000
	(37 035)	(35 775)
Net income	3 710	(1 260)
CLOSING BALANCE	(33 325)	(37 035)

SOCIÉTÉ DES ÉTABLISSEMENTS DE PLEIN AIR DU QUÉBEC

BALANCE SHEETS
as at March 31
(in thousands of dollars)

	2002	2001
ASSETS		
Current assets		
Cash on hand	5 494	8 077
Accounts receivable	1 186	465
Subsidies receivable	2 521	136
Expenses deferred to the coming year	3 661	3 670
	12 862	12 348
Accounts receivable	580	677
Interest and advance in the affiliated company	811	783
Recreational or tourist areas	582	676
Fixed assets (Note 5)	100 280	69 756
Assets related to abandoned activities (Note 4)	13 304	13 013
	128 419	97 253
LIABILITIES		
Current liabilities		
Bank loan (Note 6)	2 043	3 000
Accounts payable	15 159	15 249
Customer deposits	5 366	5 183
Long-term debt maturing during the coming year	400	3 400
	22 968	26 832
Long-term debt (Note 7)	16 800	2 200
Deferred subsidies	65 019	49 228
Liabilities related to discontinued operations (Note 4)	870	941
	105 657	79 201
SHAREHOLDER'S EQUITY		
Capital stock (Note 10)	56 087	55 087
Accumulated deficit	(33 325)	(37 035)
	22 762	18 052
	128 419	97 253

COMMITMENTS AND CONTINGENCIES (Notes 8 and 9)

On behalf of the Board of Directors,
Michel Noël de Tilly
Yvan Bilodeau

SOCIÉTÉ DES ÉTABLISSEMENTS DE PLEIN AIR DU QUÉBEC

CASH FLOWS
for the years ended March 31
(in thousands of dollars)

	2002	2001
OPERATING ACTIVITIES		
Income on continuing activities	2 669	(2 224)
Amortization	2 303	2 011
Loss (gain) on disposal of assets	(323)	107
Share in the income of the affiliated company	(22)	(98)
Short-term variation in items	(4 096)	3 167
	531	2 963
INVESTMENT ACTIVITIES		
Acquisition of fixed assets	(34 084)	(30 028)
Product for disposal of assets	440	238
Advance to an affiliated company	(6)	(5)
	(33 650)	(29 795)
FINANCING ACTIVITIES		
Receivables	97	704
Subsidies for immovables (Note 3)	18 867	36 390
Borrowing	15 000	
Repayment of long-term debt	(3 400)	(7 694)
Change in bank loan	(957)	(4 169)
Capital stock issue	1 000	3 100
Contributed surplus (Note 3)		7 000
	30 607	35 331
DISCONTINUED OPERATIONS (Note 4)	(71)	(119)
CHANGE IN CASH ON HAND	(2 583)	8 380
CASH ON HAND, BEGINNING OF YEAR	8 077	(303)
CASH ON HAND, END OF YEAR	5 494	8 077

SOCIÉTÉ DES ÉTABLISSEMENTS DE PLEIN AIR DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS
as at March 31, 2002 and 2001
(in thousands of dollars)

1. INCORPORATION AND PURPOSE

The Société was incorporated under the Act respecting the Société des établissements de plein air du Québec (R.S.Q., c. S-13.01), assented to on December 21, 1984. Its purpose is to administer, operate and develop, alone or jointly with others, the recreational or tourist installations, immovable or territories that are transferred to it under this Act; and to devise, erect, administer, operate and develop, alone or jointly with others, any other recreational or tourist installation, immovable or territory.

2. ACCOUNTING POLICIES

a) Use of estimates

The preparation of financial statements in keeping with the accounting principles that are generally accepted in Canada requires management to use estimates that affect the assets, liabilities, revenues and expenditure shown in the financial statements.

b) Recreational and tourism areas

Areas dedicated to recreation or tourism are shown at the lower of cost or market value.

c) Interest in the affiliated company

The Société accounts for its interest in the affiliated company on an equity basis.

d) Fixed assets and depreciation

Fixed assets are recorded at cost and depreciated on a straight-line basis at the following rates:

Buildings and infrastructures	4%
Ski lifts	5%
Automotive equipment, furniture, equipment, leasehold improvements and wildlife developments	14% and 20%

e) Deferred subsidies

Fixed assets subsidies are recorded as deferred subsidies and are transferred to operations as the fixed assets to which they relate are depreciated.

f) Income tax

Pursuant to the Act respecting the Société des établissements de plein air du Québec, all Société shares are held by the Minister of Finance of Québec. The Société is therefore not subject to income tax.

g) Pension plans

The staff members of the Société are covered by pension plans offered to government and public employees of Québec. The Société's contribution to these plans totalled $846 845 (2001: $646 000) and was established by the Commission administrative des régimes de retraite et d'assurances du Québec and covers current service.

SOCIÉTÉ DES ÉTABLISSEMENTS DE PLEIN AIR DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS (cont'd)
as at March 31, 2002 and 2001
(in thousands of dollars)

3. SUBSIDIES

	2002	2001
Subsidies recorded in the statement of results		
Ministère des Ressources naturelles	575	575
Fonds Jeunesse Québec	839	
	1 414	575
Subsidies for immovables	18 867	36 390
Subsidy recorded to contributed surplus and Transferred to the accumulated deficit		7 000

During fiscal 2001, the Société was granted a subsidy of $7 000 000 to be used to repay certain borrowings This subsidy was posted to the contributed surplus, which was used to reduce the accumulated deficit.

4. DISCONTINUED OPERATIONS

On May 12, 1994, the Government announced the privatization of the Parc du Mont-Sainte-Anne and, during the following fiscal year, disposed of the financial assets. In the financial statement for the fiscal year ended May 31, 1994, the Société recorded a loss following this decision to cover transaction costs, the loss of disposition of assets and to reflect the period for cashing the amounts receivable, which could extend as far as 2029.

Assets related to discontinued operations comprise receivables resulting from the transaction and liabilities include accounts payable and accrued costs.

The item "abandoned activities" on the balance sheet represents the transfer of the actualization discount.

5. FIXED ASSETS

	2002		
	Cost	Accumulated depreciation	Net value
Land	4 124		4 124
Buildings and infrastructures	105 785	16 662	89 123
Ski lifts	1 233	540	693
Automotive equipment	3 842	2 376	1 466
Furniture, equipment, leasehold improvement	13 079	8 205	4 874
	128 063	27 783	100 280

NOTES TO FINANCIAL STATEMENTS (cont'd)
as at March 31, 2002 and 2001
(in thousands of dollars)

5. FIXED ASSETS (cont'd)

	2001		
	Cost	Accumulated depreciation	Net value
Land	4 092		4 092
Buildings and infrastructures	72 489	12 955	59 534
Ski lifts	1 233	478	755
Automotive equipment	3 155	2 058	1 097
Furniture, equipment, leasehold improvement	11 190	6 912	4 278
	92 159	22 403	69 756

6. BANK LOAN

The bank loan of a total authorized amount of $6 000 000 negotiable by short-term bank acceptances bears interest at a rate of 3.75%.

7. LONG-TERM DEBT

	2002	2001
Long-term borrowing for an authorized amount of $66 000 000 negotiable in the form of bank acceptances, repayable in keeping with a maximum amortization of 17 years on the original capital, plus interest at a rate of 2.13%, renewable in April 2002, maturing in 2019	15 000	3 000
Borrowing from the Government of Canada under the Canada-Québec Subsidiary Agreement on Tourism Development, interest-free, repayable in semi-annual instalments of $200 000, maturing in 2009	2 200	2 600
	17 200	5 600
Less: Portion due within one year	400	3 400
	16 800	2 200

Payments of principal on the long-term debt for the next five fiscal years break down as follows:

2003	400
2004	400
2005	400
2006	400
2007	400

NOTES TO FINANCIAL STATEMENTS (cont'd)
as at March 31, 2002 and 2001
(in thousands of dollars)

8. COMMITMENTS

The Société is bound by commitments for a balance of $6 080 311, excluding escalator clauses on leases. The minimum lease payments for the next five fiscal years are as follows:

2003	1 009
2004	998
2005	998
2006	655
2007	481

Furthermore, at March 31, 2002, the Société committed to incurring fixed asset costs of $8 236 000 in the next fiscal year.

9. CONTINGENCIES

The Société is being sued for damages suffered by third parties. In management's opinion, the amounts involved are not significant and, consequently, no provision is made in the Société's financial statements.

10. CAPITAL STOCK

	2002	2001
Authorized:		
Pursuant to its incorporating act, the Société is authorized to issue to the Minister of Finance 750 000 common voting shares with a par value of $100		
Issued:		
268 617 shares issued as payment for the transfer of assets	26 862	26 862
292 250 shares paid in cash (2001: 282 250 shares)	29 225	28 225
	56 087	55 087

During the fiscal year, the Société issued 10 000 shares (2001: 31 000 shares) for a cash consideration of $1 000 000 (2001: $3 100 000).

11. FINANCIAL EXPENSES

Financial expenses include interest on the long-term debt of $3 000 (2001: $93 000).

12. COMPARATIVE FIGURES

Certain 2001 figures were reclassified for consistency with the presentation adopted in 2002.

SOCIÉTÉ DES ÉTABLISSEMENTS DE PLEIN AIR DU QUÉBEC

MANAGEMENT'S REPORT

The financial statements of the Société des établissements de plein air du Québec (SÉPAQ) were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with generally accepted accounting principles. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains an accounting system and a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Société recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors oversees the manner in which management performs its financial reporting duties and has approved the financial statements. It is assisted by the audit committee, whose members are not management. The audit committee meets with management and the auditor, reviews the financial statements and recommends their approval to the board of directors.

The accounting firm of Mallette, general partnership, chartered accountants, has audited the Société's financial statements in accordance with generally accepted auditing standards. Its report states the nature and scope of its audit and its opinion. The auditor may, without restriction, meet with the audit committee to discuss any matter related to the audit.

Yvan Bilodeau
President and Chief Executive Officer

Réal Couture, CA
Director,
Administration and Finance

Québec, May 6, 2002

AUDITORS' REPORT

We have audited the balance sheet of the Société des établissements de plein air du Québec as at March 31, 2002 and 2001 and the statements of income, accumulated deficit and cash flows for the years then ended. These financial statements are the responsibility of Société management. Our responsibility consists in expressing an opinion on these financial statements based on our audits.

Our audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In our opinion, these financial statements present fairly, in all material respects, the Société's financial position as at March 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended, in accordance with the accounting principles that are generally accepted in Canada.

Mallette
General Partnership
Chartered Accountants

Québec, May 6, 2002

SOCIÉTÉ DES TRAVERSIERS DU QUÉBEC
(R.S.Q., c. S-14)

INCOME AND DEFICIT
for the year ended March 31, 2002

	2002	2001
EXPENDITURE		
Operating expenses (Note 4)	$37 138 403	$33 329 352
Administrative expenses (Note 5)	3 589 204	3 176 928
Depreciation of fixed assets	9 710 218	11 161 447
Financial expenses	4 569 808	5 140 975
	55 007 633	52 808 702
REVENUE		
Vehicle transport	6 688 258	7 025 202
Passenger transport	5 842 586	5 406 998
Other (Note 6)	488 310	711 448
	13 019 154	13 143 648
LOSS BEFORE GOVERNMENT CONTRIBUTIONS	41 988 479	39 665 054
GOVERNMENT CONTRIBUTIONS (Note 7)	40 639 655	40 104 980
(NET LOSS) NET INCOME	1 348 824	(439 926)
DEFICIT, BEGINNING OF YEAR	8 652 184	9 092 110
DEFICIT, END OF YEAR	$10 001 008	$8 652 184

SOCIÉTÉ DES TRAVERSIERS DU QUÉBEC

BALANCE SHEET
as at March 31, 2002

	2002	2001 (Note 3)
ASSETS		
Current assets		
Cash on hand	$2 527 220	$2 664 673
Term deposit		2 151 609
Accounts receivable (Note 8)	1 648 192	2 149 459
Prepaid expenses	113 694	267 326
Contribution to be recovered from the Government (Note 9)	1 050 922	1 161 146
	5 340 028	8 394 213
Subsidy receivable for the transfer of federal wharves (Note 12)		35 634 807
Investment of compensation for federal wharves (Note 12)	37 770 246	
Contribution to be recovered from the Government (Note 9)	23 379 556	22 324 566
Fixed assets (Note 10)	91 533 161	99 020 714
	$158 022 991	$165 374 300
LIABILITIES		
Current liabilities		
Accounts payable and accruals	$5 384 294	$6 065 705
Instalments on long-term debt (Note 11)	5 479 486	5 149 152
	10 863 780	11 214 857
Rent collected in advance	162 000	168 000
Long-term debt (Note 11)	79 102 096	84 581 582
Deferred government contribution		
Related to the financial compensation from the transfer of federal w wharves (Note 12)	37 770 246	35 634 807
Related to fixed assets (Note 13)	38 625 877	40 927 238
	76 396 123	76 562 045
	166 523 999	172 526 484
SHAREHOLDER'S EQUITY (DEFICIT)		
Capital stock (Note 14)	1 500 000	1 500 000
Deficit	(10 001 008)	(8 652 184)
	(8 501 008)	(7 152 184)
	$158 022 991	$165 374 300

COMMITMENTS (Note 15)
CONTINGENCIES (Note 20)

On behalf of the Board of Directors,
Jean-Yves Gagnon
Nicole L. Bergeron

SOCIÉTÉ DES TRAVERSIERS DU QUÉBEC

CASH FLOWS
for the year ended March 31, 2002

	2002	2001 (Note 3)
OPERATING ACTIVITIES		
(Net loss) Net income	$(1 348 824)	$439 926
Adjustments for:		
Depreciation of fixed assets	9 710 218	11 161 447
Increase in contribution to be recovered from the Government	(944 766)	(4 356 418)
Transfer of deferred Government contributions	(4 006 648)	(2 982 910)
Loss on disposal of fixed assets	3 623	14 412
Decrease in rent collected in advance	(6 000)	(6 000)
	3 407 603	4 270 457
Change in certain elements of assets and short-term liabilities apart from cash and cash equivalents:		
Accounts receivable	(163 926)	318 469
Prepaid expenses	153 632	(267 326)
Accounts payable and accruals	(209 340)	1 112 159
Cash flows provided by operating activities	3 187 969	5 433 759
INVESTMENT ACTIVITIES		
Acquisition of long-term investment	(40 101 719)	
Proceeds from disposal of investment	2 331 473	
Acquisition of fixed assets (Note 11)	(2 700 741)	(416 329)
Proceeds from disposal of fixed assets	2 382	301 721
Cash flows used for investment activities	(40 468 605)	(114 608)
FINANCING ACTIVITIES		
Government contribution and related financial proceeds from transfer of federal wharves	40 116 286	
Government contribution for fixed assets	24 440	1 453 382
Repayment of long-term debt	(5 149 152)	(4 667 369)
Cash flows provided by (used for) financing activities	34 991 574	(3 213 987)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2 289 062)	2 105 164
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4 816 282	2 711 118
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 16)	$2 527 220	$4 816 282

SOCIÉTÉ DES TRAVERSIERS DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

The Société des Traversiers du Québec is a joint-stock company established under a special act (R.S.Q., chapter S-14) for the purpose of providing ferryboat transportation services across rivers and lakes situated in Québec. Its shares are part of the public domain of Québec and are reserved for the Minister of Finance.

2. ACCOUNTING POLICIES

The financial statements of the Société were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Fixed assets

Fixed assets acquired by donation are valued at historical cost, appraised value or their municipal assessment. Other fixed assets are recorded at acquisition cost, which includes interest accrued during construction and repair work.

Fixed assets are depreciated according to the following methods and rates:

	Method	Rate
Wharves	Diminishing balance	5%
Buildings	Diminishing balance	10%
Vessels	Diminishing balance	15%
Fixtures and equipment	Diminishing balance	20%
Automotive equipment	Diminishing balance	30%
Leasehold improvements	Straight-line	Term of lease

Contribution to be recovered from the Government

The contribution to be recovered from the Government corresponds to the difference between the interest expenses accrued on borrowings from the Financing Fund for the acquisition of fixed assets, plus the accumulated depreciation on those assets, and the subsidies received from the Gouvernement du Québec to make the payments on said borrowings.

Deferred government contributions

Subsidies for the acquisition of fixed assets and the valuable consideration assigned to assets acquired by donation are recorded as deferred Government contributions and transferred to operations using the same methods and rates of depreciation as those used for the fixed assets concerned.

The subsidy and related financial proceeds bound by an external appropriation to charges for future fiscal years are posted to proceeds in the fiscal year during which the corresponding charges are posted.

Cash and cash equivalents

The Société's policy consists in presenting under cash and cash equivalents bank balances including bank overdrafts, whose balances often fluctuate between overdraft and available, and short-term investments maturing within three months of the date they were acquired.

Pension plans

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the Société lacks sufficient information to apply the accounting procedure for defined-benefit plans

3. CHANGE IN ACCOUNTING POLICY

This fiscal year, the Société began recording salaries and the related fringe benefits as well as certain other expenditures that will result in future economic advantages on an accrual basis. Moreover, in order to offset the additional costs inherent in this change in accounting policy, the Government awarded the Société a specific operating subsidy of $1 070 000. The retroactive application of this change increased the following financial statement items:

	2002	2001
Net loss	$92 569	
Accounts receivables	1 070 000	$1 013 959
Prepaid expenses	113 693	267 326
Accounts payable and accruals	1 276 262	1 281 285
Deficit	92 569	

4. OPERATING EXPENSES

	2002	2001
Salaries and fringe benefits	$18 211 766	$16 947 084
Operating contracts	1 164 017	1 518 883
Fuel	3 471 925	4 219 208
Maintenance and repairs – Vessels	5 833 061	4 673 683
Maintenance and repairs – Wharves	3 762 963	2 032 656
Maintenance and repairs – Buildings	439 796	458 418
Property and school taxes	849 243	823 477
Insurance	1 202 328	1 102 146
Other	2 736 958	2 004 460
Amounts recovered from insurers	(533 654)	(450 663)
	$37 138 403	$33 329 352

5. ADMINISTRATIVE EXPENSES

	2002	2001
Salaries and fringe benefits	$2 715 206	$2 383 414
Staff training	123 700	152 574
Stationery and printing	88 649	84 956
Professional fees	173 111	158 123
Other	488 538	397 861
	$3 589 204	$3 176 928

6. OTHER REVENUE

	2002	2001
Interest on bank deposits	$100 463	$303 879
Interest on adjustment to the Commission de la santé et de la sécurité du travail assessment	20 137	30 208
Docking fees	31 700	34 770
Parking and miscellaneous	102 925	76 152
Vending machines and food concession	187 391	207 396
Advertising	33 869	56 132
Vessel rental	1 000	
Space rental	14 448	17 323
Loss on disposal of fixed assets	(3 623)	(14 412)
	$488 310	$711 448

7. GOVERNMENT CONTRIBUTIONS

	2002	2001
Gouvernement du Québec subsidies		
Operating subsidy	$35 688 241	$32 765 652
Government contributions collectable	944 766	4 356 418
	36 633 007	37 122 070
Transfer of deferred Government contributions		
Related to the financial compensation from the transfer of federal wharves (Note 12)	1 680 847	665 193
Related to fixed assets (Note 13)	2 325 801	2 317 717
	4 006 648	2 982 910
	$40 639 655	$40 104 980

8. ACCOUNTS RECEIVABLE

	2002	2001
Transportation sector	$199 461	$293 646
Government sector	18 007	20 442
Ministère des Transports subsidy receivable (Note 3)	1 070 000	1 013 959
Subsidy receivable for the transfer of federal wharves		665 193
Accident claim receivable	300 000	
Other	60 724	156 219
	$1 648 192	$2 149 459

9. CONTRIBUTION TO BE RECOVERED FROM THE GOVERNMENT

The Government committed to paying the Société the sums required to discharge its obligations regarding borrowings from the Financing Fund for the acquisition of fixed assets, after ensuring that the Société is unable to discharge them itself.

The contribution to be recovered is as follows:

	2002	2001
Opening balance	$23 485 712	$19 129 294
Depreciation of fixed assets	6 204 143	6 681 239
Accrued interest on borrowings	4 569 808	4 659 943
	34 259 663	30 470 476
Government contributions received	(9 829 185)	(6 984 764)
Closing balance	$24 430 478	$23 485 712

This balance relates to the following balance sheet items:

	2002	2001
Borrowings from the Financing Fund (Note 11)	$59 030 172	$64 179 324
Unamortized cost of fixed assets financed on a long-term basis (Note 10)	(35 650 616)	(41 854 758)
	23 379 556	22 324 566
Accrued interest on borrowings	1 050 922	1 161 146
	$24 430 478	$23 485 712

10. FIXED ASSETS

	2002					2001
	Financed on a long-term basis (Note 9)	Acquired from the Gouvernement du Québec	Acquired by donation (Note 13)	Other	Total	Total
Cost						
Land			$63 794	$18 145	$81 939	$81 939
Wharves	$932 712	$23 108 643	40 347 286	74 621	64 463 262	63 492 803
Buildings		1 707 067	5 236 229	718 014	7 661 310	7 639 695
Vessels	92 118 186		29 228 708	1 922 100	123 268 994	122 213 480
Fixtures and equipment			12 738	1 770 877	1 783 615	1 698 364
Automotive equipment				123 149	123 149	91 346
Leasehold improvements			215 930	637 794	853 724	853 723
	$93 050 898	$24 815 710	$75 104 685	$5 264 700	$198 235 993	$196 071 350
Accumulated depreciation						
Wharves	229 040	8 544 433	6 027 501	51 499	14 852 473	12 277 399
Buildings		1 045 717	2 534 650	416 021	3 996 388	3 591 577
Vessels	57 171 242		27 720 595	943 661	85 835 498	79 317 992
Fixtures and equipment			5 882	1 160 229	1 166 111	1 035 402
Automotive equipment				70 000	70 000	81 579
Leasehold improvements			194 328	588 034	782 362	746 687
	57 400 282	9 590 150	36 482 956	3 229 444	106 702 832	97 050 636
Net value	$35 650 616	$15 225 560	$38 621 729	$2 035 256	$91 533 161	$99 020 714

11. LONG-TERM DEBT

	2002	2001
Owed to the Gouvernement du Québec, payable on request, interest-free and according to the terms agreed upon by the Minister of Finance and the Société under an agreement regarding the Government's transfer of buildings and wharves to the Société	$25 551 410	$25 551 410
Borrowings from the Financing Fund, 8.49%, repayable in semi-annual instalments of $1 766 415, maturing June 2011	22 696 183	24 207 986
Borrowing from the Financing Fund, 6.96%, repayable in semi-annual instalments of $1 725 967, maturing January 2018	32 993 620	34 097 349
Borrowing from the Financing Fund, 5.97%, repayable in semi-annual instalments of $749 720, maturing April 2003	2 079 521	3 395 597
Borrowing from the Financing Fund, 5.85%, repayable in semi-annual instalments of $672 490, maturing November 2002	1 260 848	2 478 392
	84 581 582	89 730 734
Instalments due within one year	5 479 486	5 149 152
	$79 102 096	$84 581 582

Payments of principal on loans for the next five fiscal years are as follows:

2003	$5 479 486
2004	3 730 392
2005	3 288 486
2006	3 549 652
2007	3 831 756

12. DEFERRED GOVERNMENT CONTRIBUTIONS RELATED TO FINANCIAL COMPENSATION FROM THE TRANSFER OF FEDERAL WHARVES

Under an agreement signed on March 30, 2001, effective June 19, 2000, the Gouvernement du Québec transferred to the Société ownership of port facilities of an assigned value of $35 525 305, located on the site of the ten ferry terminals received from the Government of Canada, and financial compensation of $36 300 000 associated with this transfer. Under this agreement, the Société must use this lump sum, as well as the proceeds from its investment, exclusively for the operation, maintenance and repair of the ten terminals.

	2002	2001
Opening balance	$35 634 807	
Contribution to the fiscal year		$36 300 000
Interest on damages received by the Ministère des Finances following transfer of $36.3M on April 19, 2001 rather than June 19, 2000	1 798 468	
Interest earned	1 945 365	
Amortization of discount (premiums) on investments	57 886	
Profit on disposal of investment	14 567	
	39 451 093	36 300 000
Transfer to operations of an amount equivalent to net maintenance and repair costs for the federal wharves	(1 680 847)	(665 193)
	$37 770 246	$35 634 807

This balance relates to the following balance sheet items:

Subsidy receivable for the transfer of federal wharves		$35 634 807
Investment of compensation for federal wharves comprising:		
Cash	$119 262	
Compulsory market investment (market value: $37 242 873)	37 154 106	
Accrued interest receivable	496 878	
	$37 770 246	$35 634 807

13. DEFERRED GOVERNMENT CONTRIBUTIONS RELATED TO FIXED ASSETS

	2002	2001
a) Gouvernement du Québec		
Opening balance	$6 660 660	$7 061 198
Contribution for the fiscal year	24 440	503 382
	6 685 100	7 564 580
Transfer to operations of the following amounts:		
Amortization of fixed assets subsidized or acquired by donation	(598 262)	(602 920)
Unamortized balance on fixed asset disposed of during the fiscal year		(301 000)
Closing balance	6 086 838	6 660 660
b) Gouvernement du Canada		
Opening balance	34 266 578	155 070
Contribution to the fiscal year		35 525 305
	34 266 578	35 680 375
Transfer to operations of an amount equal to the depreciation of subsidized or donated fixed assets	(1 727 539)	(1 413 797)
Closing balance	32 539 039	34 266 578
	$38 625 877	$40 927 238

This balance relates to the following items:

	2002	2001
Land	$63 794	$63 794
Wharves	34 319 785	35 119 611
Buildings	2 701 579	3 001 753
Vessels	1 508 113	1 750 946
Fixtures and equipment	6 856	8 570
Leasehold improvements	21 602	32 398
	38 621 729	39 977 072
Unexpended balance of subsidy for the acquisition of fixed assets	4 148	950 166
	$38 625 877	$40 927 238

14. CAPITAL STOCK

	2002	2001
Authorized:		
100 000 shares with a par value of $100 each		
Issued and paid up:		
15 000 shares	$1 500 000	$1 500 000

15. COMMITMENTS

The Société is committed to long-term leases, expiring in 2004, for office space at the Lévis terminal and the Port of Québec. The Lévis terminal lease includes an initial 15-year renewal option and a subsequent 14-year renewal option.

Under service agreements with three water carriers aimed at maintaining ferry services, the Société is committed to paying these carriers an annual amount to cover certain allowances and to make up their budgetary deficit.

Lease payments for the year ended March 31, 2002 amount to $64 133. Remuneration paid to carriers amounts to $1 164 017.

At March 31, 2002, the Société's commitments were as follows:

	Leases	Services agreements *
2003	$59 868	$1 432 000
2004	60 965	1 468 075
2005	31 814	1 016 411
2006		880 897
	$152 647	$4 797 383

* Based on an estimate of projected contract costs and budgetary deficits of carriers.

On May 16, 2002, the Société signed a $9 300 070 contract for the modernization of the ferryboats N.M. Alphonse Desjardins and N.M. Lomer Gouin. The instalments paid to the contractor will be financed by short-term borrowings that will be reconverted in the long term when the work has been completed. Since the first debt service payments should mature in 2003-2004, this will not increase the annual subsidy since the debt service will decrease by $2 111 000 this year. Given that two borrowings will mature.

16. CASH FLOWS

	2002	2001
Cash and cash equivalents		
Cash on hand	$2 527 220	$2 664 673
Term deposit		2 151 609
	$2 527 220	$4 816 282

Interest paid during the fiscal year amounts to $4 680 032 (2001: $5 406 325).

17. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements and recorded at exchange value, the Société is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Société did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

18. PENSION PLANS

Most of the staff members of the Société participate in the Government and Public Employees Retirement Plan or the Pension Plan of Management Personnel. This is an interenterprise defined-benefit plan and includes guaranteed payments upon retirement and death.

The Société's contributions charged to the year-end statement amount to $332 791 (2001: $297 095). The Société's liability towards this Government plan is restricted to its contributions as an employer.

19. FINANCIAL INSTRUMENTS

The book value of current assets and liabilities is a reasonable estimate of their fair value given their pending maturity.

The fair value of long-term debts could not be evaluated with reasonable assurance since there is no market for this type of debt.

At March 31, 2001 and March 31, 2002, the Société had short-term bank lines of credit totalling $10 000 000 which it had never used. These credit lines are short-term operating credit facilities authorized until July 31, 2002, bearing interest at the prime rate and not guaranteed by the assets determined by the Société.

20. CONTINGENCIES

In December 2001, the municipalities of Tadoussac and Baie-Sainte-Catherine Claimed grants in lieu of taxes for ferryboat wharves for the years 1998-2001 from the Minister of Municipal Affairs and the Société. The Municipality of Tadoussac also presented the Société with a tax bill of $340 000, for the years 2000-2002, for the wharf.

In the Société's opinion, no major liability can result from these claims and, consequently, no provision has been made for potential losses.

SOCIÉTÉ DES TRAVERSIERS DU QUÉBEC

MANAGEMENT'S REPORT

The financial statements of the Société des Traversiers du Québec were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual management report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Société recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors oversees the manner in which management performs its financial reporting duties and has approved the financial statements.

The Auditor General of Québec has audited the Société's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion.

Jean-Yves Gagnon
President and Chief Executive Officer

Québec, June 4, 2002

AUDITOR'S REPORT

To the Minister of Finance

I have audited the balance sheet of the Société des Traversiers du Québec as at March 31, 2002 and the statements of income and deficit and cash flows for the year then ended. These financial statements are the responsibility of Société management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Société's financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, given the retroactive application of the change in accounting treatment of salaries and the related fringe benefits and of certain other expenditures disclosed in Note 3, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, June 4, 2002

SOCIÉTÉ D'HABITATION DU QUÉBEC
(R.S.Q., c. S-8)

REVENUE AND EXPENDITURE AND SURPLUS
for the year ended December 31, 2001
(in thousands of dollars)

	2001	2000
REVENUE		
Contributions (Note 4)		
Gouvernement du Québec	304 187	295 997
Canada Mortgage and Housing Corporation	239 576	231 069
	543 763	527 066
Interest	961	1 577
Fees (Note 5)	855	839
Other	40	229
	545 619	529 711
EXPENDITURE		
Program costs (Note 4)	515 192	499 440
Administrative expenses (Note 6)	30 409	30 147
Interest on short-term borrowings (Note 10)	18	124
	545 619	529 711
EXCESS REVENUE OVER EXPENDITURE		
SURPLUS, BEGINNING OF YEAR		13 530
Net value of goods and obligations transferred to Immobilière SHQ		(13 530)
SURPLUS, END OF YEAR		

SOCIÉTÉ D'HABITATION DU QUÉBEC

BALANCE SHEET
as at December 31, 2001
(in thousands of dollars)

	2001	2000
ASSETS		
Current assets		
Cash and cash equivalents (Note 7)	6 101	9 910
Accounts receivable (Note 8)	57 014	40 858
	63 115	50 768
Contribution recoverable – Gouvernement du Québec (Note 12)	5 453	5 292
Fixed assets (Note 9)	4 106	4 799
	72 674	60 859
LIABILITIES		
Current liabilities		
Short-term borrowing (Note 10)	3 984	6 000
Accounts payable (Note 11)	56 987	43 775
	60 971	49 775
Allowance for losses on loan guarantees (Note 12)	5 453	5 292
Provision for sick leave and vacation time (Note 13)	6 250	5 792
	72 674	60 859

COMMITMENTS AND CONTINGENCIES (Notes 16 and 17)

On behalf of the Board of Directors,
Rita Bissonnette
Jacques Gariépy

SOCIÉTÉ D'HABITATION DU QUÉBEC

CASH FLOWS
for the year ended December 31, 2001
(in thousands of dollars)

	2001	2000
OPERATING ACTIVITIES		
Adjustment for the amortization of fixed assets	1 696	1 482
Change in non-cash items:		
Increase (decrease) in accounts receivable	(16 156)	35 937
Increase in the contribution recoverable	(161)	(930)
Increase (decrease) in accounts payable	13 212	(998)
Increase in provisions payable	619	1 165
Cash flows related to operating activities	(790)	36 656
FINANCING ACTIVITIES		
Repayment of the short-term borrowing	(2 016)	
Repayment of the long-term debt		(41 585)
Cash flows related to financing activities	(2 016)	(41 585)
INVESTMENT ACTIVITIES		
Acquisition of fixed assets	(1 003)	(1 715)
Cash flows related to investment activities	(1 003)	(1 715)
DECREASE IN CASH AND CASH EQUIVALENTS	(3 809)	(6 644)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9 910	49 120
CASH TRANSFERRED TO IMMOBILIÈRE SHQ		(32 566)
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 7)	6 101	9 910
ADDITIONAL INFORMATION		
Interest paid	196	1 863

SOCIÉTÉ D'HABITATION DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS
December 31, 2001
(in thousands of dollars)

1. CONSTITUTION AND PURPOSE

The Société d'habitation du Québec is a legal person incorporated under a special act (R.S.Q., c. S-8) to:

- inform the Minister on the requirements, priorities and objectives of all housing sectors in Québec;
- stimulate development and cooperation in respect of public and private initiatives in the field of housing;
- make low-rental housing available to the citizens of Québec;
- promote the development and implementation of programs related to housing construction, acquisition, development, restoration and management;
- facilitate the acquisition of real property by the citizens of Québec;
- promote housing improvement.

The Société d'habitation du Québec was mandated by Immobilière SHQ, a legal entity with partnership capital, agent of the State, incorporated under the Act respecting Immobilière SHQ (S.Q. 1999, c.16), to administer, in exchange for consideration, its property and the resulting obligations, and to see to the management of current business related to this property. In this regard, the Société d'habitation du Québec conferred on the Société de gestion immobilière SHQ, a legal entity incorporated under Part III of the Companies Act (R.S.Q., c. C-38), the mandate to administer certain Immobilière SHQ buildings.

2. ACCOUNTING POLICIES

The financial statements of the Société were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

a. Contributions

Contributions for program costs and the fiscal year's administrative costs are recorded as revenue when the costs related to these programs and administrative costs are also recorded.

The Canada Mortgage and Housing Corporation acts on behalf of the Government of Canada concerning the programs contemplated by Canada-Québec framework agreements.

b. Program costs

Subsidies for program costs are recorded to expenditures when the events related to them occur, provided they had been authorized and the beneficiaries met the eligibility criteria, where applicable.

c. Pension plans

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the Société lacks sufficient information to apply the accounting procedure for defined-benefit plans.

d. Cash and cash equivalents

Cash and cash equivalents comprise cash and highly liquid short-term investments that can easily be converted into a known amount of cash, whose value is unlikely to change significantly.

e. Fixed assets

Fixed assets are recorded at cost.

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

2. ACCOUNTING POLICIES (cont'd)

e. Fixed assets (cont'd)

Computer development includes the cost of system design, execution, implementation and improvement.

Fixed assets are amortized using the straight-line method over their estimated service life:

Computer development	5 years
Equipment	3 years

f. Provision for losses on loan guarantees

This provision is established by applying a rate based on past experience to the guaranteed loans.

3. CHANGE IN ACCOUNTING POLICY

Beginning this fiscal year, certain program costs* are recorded when the events giving rise to them occur, provided they had been authorized and the beneficiaries met the eligibility criteria, where applicable. Previously, these expenditures were recorded when the Société approved payment of the subsidy.

This change was applied retroactively without adjusting previous years' financial statements. It does not affect the surplus as at December 31, 2000 in any way but increases (decreases) the amount of the following items in the financial statements for the fiscal year ended December 31, 2001.

	2001
Revenue and expenditure and surplus	
Contributions	
Gouvernement du Québec	1 772
Canada Mortgage and Housing Corporation	(402)
Program costs	1 370
Balance sheet	
Accounts receivable	
Gouvernement du Québec – Contribution receivable	10 031
Canada Mortgage and Housing Corporation	1 882
Accounts payable	
Beneficiaries of subsidies	11 913

* The programs affected are: Housing Allowance for Seniors and Families, Revitalization of Core Areas, RénoVillage (Assistance for renovation in rural areas), Home Adaptations, Adapted Dwellings for Independent Seniors, Improvement of Shelters and Emergency Repairs.

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

4. PROGRAM COSTS AND CONTRIBUTIONS

	2001			2000		
		Contributions			Contributions	
Program	Cost	Gouvernement du Québec	CMHC (a)	Cost	Gouvernement du Québec	CMHC (a)
Social and Community Housing Assistance						
Non-profit housing						
Public (Note 10)						
Regular component	215 762	87 133	128 629	215 845	87 077	128 768
Inuit component	53 470	24 945	28 525	51 290	21 668	29 622
	269 232	112 078	157 154	267 135	108 745	158 390
Private						
Housing cooperatives and non-profit organizations	27 224	6 942	20 282	27 691	6 996	20 695
Native housing – urban	6 670	1 682	4 988	7 911	1 970	5 941
Native housing – rural	5 889	1 484	4 405	6 900	1 693	5 207
	39 783	10 108	29 675	42 502	10 659	31 843
	309 015	122 186	186 829	309 637	119 404	190 233
Housing allowance for the elderly and families	96 989	96 989		99 306	99 306	
Rent supplement	34 935	17 161	17 774	34 048	15 772	18 276
AccèsLogis for non-profit - cooperative housing	15 390	5 985	9 405	4 586	4 586	
Habitat Métis du Nord	2 500	2 500				
Achat-Rénovation for non-profit, cooperative housing	2 265	2 265		2 257	2 257	
Assistance for community organizations	1 300	1 300		1 300	1 300	
Achat-rénovation for owner occupants in the Kativik area				26	26	
Sub-total carried forward	462 394	248 386	214 008	451 160	242 651	208 509

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

4. PROGRAM COSTS AND CONTRIBUTIONS (cont'd)

	2001			2000		
		Contributions			Contributions	
Program	Cost	Gouvernement du Québec	CMHC (a)	Cost	Gouvernement du Québec	CMHC (a)
Sub-total brought forward	462 394	248 386	214 008	451 160	242 651	208 509
Housing improvement						
Assistance program for the revitalization of core areas	16 378	11 877	4 501	17 500	10 550	6 950
RénoVillage (Assistance for renovation in rural areas)	13 924	5 326	8 598	15 910	7 525	8 385
Assistance program for the improvement of nursing homes	11 061	9 506	1 555	9 846	8 694	1 152
Home adaptations for greater autonomy of seniors	5 274	1 405	3 869	1 393	339	1 054
Improvements to shelters	2 993	767	2 226	1 055	252	803
Emergency repairs	1 645	369	1 276	1 175	289	886
Assistance for owners of residential buildings damaged by pyrite oxidation	206	156	50			
Radisson	69	69				
Sub-total	51 550	29 475	22 075	46 879	27 649	19 230
Access to home ownership						
Access to home ownership for residents of the Kativik area	825	825		1 935	1 935	
Housing in isolated regions	92	92		187	187	
Assistance to the City of Murdochville for the acquisition of houses on its territory				75	75	
Sub-total	917	917		2 197	2 197	
Amounts carried forward	514 861	278 778	236 083	500 236	272 497	227 739

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

4. PROGRAM COSTS AND CONTRIBUTIONS (cont'd)

	2001			2000		
		Contributions			Contributions	
Programs	Cost	Gouvernement du Québec	CMHC (a)	Cost	Gouvernement du Québec	CMHC (a)
Amounts brought forward	514 861	278 778	236 083	500 236	272 497	227 739
Industrial support						
Support for the development of the Québec housing industry	577	577		484	484	
Various programs in the termination phase (b)	(246)	(420)	174	(1 280)	(1 079)	(201)
TOTAL	515 192	278 935	236 257	499 440	271 902	227 538
Contributions						
Cost of program		278 935	236 257		271 902	227 538
Administrative expenses (Note 6)		25 252	3 319		24 095	3 531
TOTAL		304 187	239 576		295 997	231 069

(a) Canada Mortgage and Housing Corporation.
(b) The various programs in the termination phase grouped together in this item are: Rental building renovation, Canada-Québec Rehabilitation Assistance, VirageRénovation (Home renovation stimulation program), Downpayment Assistance, Renovation Assistance and Assistance for Community Housing.

5. FEES

	2001	2000
Immobilière SHQ	696	652
Gouvernement du Québec	106	124
Société de gestion immobilière SHQ	53	63
	855	839

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

6. ADMINISTRATIVE EXPENSES

	2001	2000
Salaries and other remuneration (Note 15)	20 624	20 322
Transportation and communications	1 487	1 650
Professional services	2 817	2 846
Maintenance and repairs	240	179
Rent	2 829	2 716
Materials and supplies	360	377
Miscellaneous subsidies	122	305
Interest on short-term borrowings (Note 10)	157	192
Depreciation of fixed assets	1 696	1 482
Other	77	78
	30 409	30 147

These administrative expenses are offset, to a great extent, by the following contributions:

Gouvernement du Québec	25 252	24 095
Canada Mortgage and Housing Corporation	3 319	3 531
	28 571	27 626

7. CASH AND CASH EQUIVALENTS

	2001	2000
Cash on hand	4 304	9 910
Short-term investment, at cost, 2.25%	1 797	
	6 101	9 910

8. ACCOUNTS RECEIVABLE

	2001	2000
Gouvernement du Québec		
Contribution receivable	24 736	9 846
Other	7	1 646
Canada Mortgage and Housing Corporation	24 268	16 773
Subsidy beneficiaries	6 989	9 872
Société de gestion immobilière SHQ	170	1 188
Immobilière SHQ	43	
Accrued interest	12	89
Other	789	1 444
	57 014	40 858

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

9. FIXED ASSETS

	2001			2000
	Cost	Accumulated depreciation	Net	Net
Computer development	6 477	3 671	2 806	3 306
Equipment	2 707	1 407	1 300	1 493
	9 184	5 078	4 106	4 799

10. SHORT-TERM BORROWING

The Société d'habitation du Québec is authorized to take up short-term borrowings from financial institutions to a maximum of $30 million.

Any loan contracted under this authorization bears interest at the rate negotiated at the time of the borrowing, which generally corresponds to 1.5% less than the prime rate. The rate at December 31, 2001 was 2.3%.

Interest on the short-term borrowing for the fiscal year totalled $0.2 million recorded to the following expenditure items:

	2001	2000
Cost of programs – Non-profit housing – Public (Note 4)	8	1 549
Administrative expenses – Interest on short-term borrowings (Note 6)	157	192
Interest on short-term borrowings	18	124
	183	1 865

11. ACCOUNTS PAYABLE

	2001	2000
Subsidy beneficiaries	54 478	40 632
Suppliers and other	1 751	2 623
Société de gestion immobilière SHQ	398	362
Sums held on behalf of granting agencies (Note 14)	305	82
Gouvernement du Québec	49	57
Accrued interest	6	19
	56 987	43 775

12. ALLOWANCE FOR LOSSES ON LOAN GUARANTEES

	2001	2000
Opening balance	5 292	4 363
Allowance for the year	319	1 127
Fulfilment of guarantees	(158)	(198)
Closing balance	5 453	5 292

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

12. ALLOWANCE FOR LOSSES ON LOAN GUARANTEES (cont'd)

The allowance break downs as follows:

	2001	2000
Programs		
AccèsLogis for non-profit, cooperative housing	3 296	3 296
Achat-Rénovation for non-profit, cooperative housing	1 457	1 589
Assistance for community housing	600	302
Non-profit housing – Private	100	
Renovation assistance		105
	5 453	5 292

A recoverable Gouvernement du Québec contribution is recorded to cover this provision.

13. PROVISION FOR SICK LEAVE AND VACATION TIME

	2001			2000
	Sick leave	Vacation time	Total	Total
Opening balance	4 171	1 621	5 792	5 556
Expenditures for the year	447	1 422	1 869	1 916
Benefits paid during the year	(198)	(1 213)	(1 411)	(1 680)
Closing balance	4 420	1 830	6 250	5 792

14. SUMS HELD ON BEHALF OF GRANTING AGENCIES

The sums received from granting agencies under the AccèsLogis and the Achat-Rénovation programs for non-profit, cooperative housing are redistributed to organizations working in the non-profit, cooperative housing sector.

	2001	2000
Opening balance	82	170
Plus:		
Sums received from granting agencies	934	550
Interest income	8	6
	1 024	726
Less:		
Amounts paid out	719	644
Closing balance	305	82

The amount held at year-end is posted to "Cash and cash equivalents " and "Accounts receivable" under the heading "Assets" and to "Accounts payable" under the heading "Liabilities".

NOTES TO FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

15. PENSION PLANS

The staff members of the Société participate in the Pension Plan of Management Personnel (PPMP), the Government and Public Employees Retirement Plan (RREGOP) or the Civil Service Superannuation Plan (CSSP). These are interenterprise defined-benefit plans and include guaranteed payments upon retirement or death.

The Société's contributions charged to the year-end statement and recorded as administrative expenses amount to $0.6 million (2000: $0.6 million). The Société's liability towards these government plans is restricted to its contributions as an employer.

16. COMMITMENTS

AccèsLogis program for non-profit, cooperative housing and Achat-Rénovation program for non-profit, cooperative housing

The Société repays the principal and interest on all loans contracted under the Achat-Rénovation and the Accès-Logis programs, up to the grant amount committed by the Société. As at December 31, 2001, these commitments amount to $80 million (2000: $56 million).

17. CONTINGENCIES

Secured loans

For the AccèsLogis program for non-profit cooperative housing and Achat-Rénovation program for non-profit, cooperative housing, the Société guarantees the reimbursement of loans granted by financial institutions. The amount of loans thus guaranteed totalled $127 million at December 31, 2001 (2000: $98 million).

The Société entered into agreements with the Canada Mortgage and Housing Corporation in relation to the non-profit private housing program, the assistance for community housing program and the housing assistance program for isolated regions. Pursuant to these agreements, the Société has agreed to acquire the properties of which it has recovered possession following a default in payment by the borrower, for a purchase price equal to the value of the claim paid to the approved lender plus incidental expenses. The balance of the loans which are subject to these agreements totalled approximately $419 million as at December 31, 2001 (2000: $427 million).

Programs for which a provision for losses is required are disclosed in Note 12.

Lawsuits

The balance of court proceedings in damages and interest instituted against the Société amounts to $5.1 million. In the opinion of the Société, these lawsuits can result in no significant liability.

18. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements an recorded at exchange value, the Société is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Société did not conclude any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

19. COMPARATIVE FIGURES

Certain 2000 figures were reclassified for consistency with the presentation adopted in 2001.

SOCIÉTÉ D'HABITATION DU QUÉBEC

MANAGEMENT'S REPORT

The financial statements of the Société d'habitation du Québec were drawn up by the management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that the assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements. The internal audit and investigations department carries out audits periodically to ensure that the internal controls applied regularly by the Société are appropriate and consistent.

The Société recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it. The board of directors oversees the manner in which management performs its financial reporting duties, meets with management and the Auditor General, and reviews the financial statements.

The Auditor General of Québec has audited the Société's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the audit committee to discuss any matter related to the audit.

Jacques Gariépy
President and Chief Executive Officer

Yves Poirier
Vice-President, Business Strategies and Support

Québec, March 28, 2002

AUDITOR'S REPORT

To the National Assembly

I have examined the balance sheet of the Société d'habitation du Québec as at December 31, 2001 and the statements of the statements of revenue and expenditure and surplus and cash flows for the year then ended. These financial statements are the responsibility of Société management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Société's financial position as at December 31, 2001 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, given the change in accounting policy made to the method used to record program costs disclosed in Note 3, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, March 28, 2002

SOCIÉTÉ DU CENTRE DES CONGRÈS DE QUÉBEC
(R.S.Q., c. S-14.001)

REVENUE AND EXPENDITURE AND SURPLUS
for the year ended March 31, 2002

	2002	2001
OPERATING REVENUE		
Rental of space for events	$2 178 965	$1 941 274
Royalties (Note 3)	1 385 081	1 016 140
Ancillary operations (Note 4)	2 195 649	1 511 283
	5 759 695	4 468 697
NET EXPENSES RELATED TO OTHER REVENUE		
Hosting of events - expenses (Note 5)	1 496 550	957 035
Administrative and operating expenses (Note 6)	7 475 936	7 048 159
Taxes	3 765 341	3 630 668
Financial expenses – net (Note 7)	3 364 449	3 608 179
Other revenue	(238 707)	(198 501)
	15 863 569	15 045 540
EXCESS REVENUE OVER EXPENDITURE BEFORE OPERATING SUBSIDY AND OTHER ITEMS:	(10 103 874)	(10 576 843)
Operating subsidy from the Gouvernement du Québec (Note 8)	10 690 167	9 571 102
EXCESS REVENUE OVER EXPENDITURE (EXPENDITURE OVER REVENUE) BEFORE THE FOLLOWING ITEMS:	586 293	(1 005 741)
Gouvernement du Québec subsidy for fixed assets (Note 8)	2 624 670	3 380 895
Depreciation of fixed assets	(3 479 784)	(4 245 953)
Amortization of deferred contributions (Note 11)	855 114	865 058
EXCESS REVENUE OVER EXPENDITURE (EXPENDITURE OVER REVENUE)	586 293	(1 005 741)
SURPLUS, BEGINNING OF YEAR	337 482	1 343 223
SURPLUS, END OF YEAR	$923 775	$337 482

SOCIÉTÉ DU CENTRE DES CONGRÈS DE QUÉBEC

BALANCE SHEET
as at March 31, 2002

	2002	2001
ASSETS		
Current assets		
Cash on hand	$766 637	$360 415
Term deposits, at rates of 2.10% to 4.25%	2 900 000	2 290 000
Accounts receivable and accrued interest	535 757	650 975
Subsidy to be recovered from the Gouvernement du Québec (Note 8)		470 407
Prepaid expenses	1 005 474	1 001 332
	5 207 868	4 773 129
Fixed assets (Note 9)	91 825 589	94 807 855
Deferred expenses, at amortized cost	2 185	262 668
	$97 035 642	$99 843 652
LIABILITIES		
Current liabilities		
Short-term borrowings (Note 10)	$1 109 719	
Accounts payable and accruals	2 833 841	$2 861 275
Customer deposits and deferred revenues	783 860	861 151
Instalments on long-term debt (Note 12)	7 568 011	5 058 939
	12 295 431	8 781 365
Deferred Gouvernement du Québec subsidy (Note 8)	1 506 643	
Deferred contributions (Note 11)	26 404 225	27 251 226
Long-term debt (Note 12)	54 373 318	61 941 329
	94 579 617	97 973 920
EQUITY		
Contributed surplus (Note 13)	1 532 250	1 532 250
Surplus	923 775	337 482
	2 456 025	1 869 732
	$97 035 642	$99 843 652

On behalf of the Board of Directors,
Claude Pinault, Director
Paule-Anne Morin, Director

SOCIÉTÉ DU CENTRE DES CONGRÈS DE QUÉBEC

CASH FLOWS
for the year ended March 31, 2002

	2002	2001
OPERATING ACTIVITIES		
Excess revenue over expenditure (expenditure over revenue)	$586 293	$(1 005 741)
Adjustments for:		
Amortization of deferred expenses	260 483	260 483
Depreciation of fixed assets	3 479 784	4 245 953
Amortization of deferred contributions	(855 114)	(865 058)
	3 471 446	2 635 637
Change in non-cash elements of the Working Capital Fund:		
Decrease in accounts receivable and accrued interest	115 218	29 312
Increase in prepaid expenses	(4 142)	(62 651)
Decrease in accounts payable and accruals	(27 434)	(165 918)
(Decrease) Increase in customer deposits	(77 291)	38 962
	6 351	(160 295)
Cash flows provided by operating activities	3 477 797	2 475 342
INVESTMENT ACTIVITIES		
Acquisition of fixed assets	(497 518)	(203 460)
Cash flows used for investment activities	(497 518)	(203 460)
FINANCING ACTIVITIES		
Subsidy to be recovered from the Gouvernement du Québec	470 407	1 315 918
Subsidy to be recovered from the Gouvernement du Québec	1 506 643	
Deferred contributions	8 113	4 485
Repayment of long-term debt	(5 058 939)	(4 928 999)
Cash flows used for financing activities	(3 073 776)	(3 608 596)
DECREASE IN CASH AND CASH EQUIVALENTS	(93 497)	(1 336 714)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2 650 415	3 987 129
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 14)	$2 556 918	$2 650 415

SOCIÉTÉ DU CENTRE DES CONGRÈS DE QUÉBEC

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

A legal person within the meaning of the Civil Code, the Société du Centre des congrès de Québec was established under a special act (R.S.Q., c. S-14.001) on July 1, 1993. Its purpose is to:

- manage and operate the Centre des congrès de Québec;
- prepare development or operational plans for the Centre des congrès;
- carry on such commercial and other activities as may foster the development of the Centre des congrès and take up their operation, promotion and management.

2. ACCOUNTING POLICIES

The financial statements of the Société were prepared by management in accordance with accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Subsidy to be recovered from the Gouvernement du Québec

The subsidy to be recovered from the Government corresponds to the difference between the interest expenses accrued on borrowings from the Financing Fund for the acquisition of fixed assets plus the accumulated depreciation on the portion of these assets (net of accumulated amortization of deferred contributions) and acquisitions of non-capitalizable property financed by these borrowings, and the subsidies received from the Gouvernement du Québec to pay back these borrowings.

Fixed assets

The land and building, which were acquired for a nominal fee of $1, were recorded at their municipal assessment on the date of acquisition. Other fixed assets are recorded at cost.

Fixed assets are depreciated over the term of their anticipated service life according to the straight-line method as follows:

Buildings	40 years
Furniture and equipment	3 and 5 years

Deferred expenses

Deferred expenses include issue and management expenses on borrowings from the Gouvernement du Québec's Financing Fund.

These expenses are amortized on a straight-line basis over the term of the borrowing. Amortization is included in financial expenses.

Gouvernement du Québec subsidy

The Société records and distributes the Gouvernement du Québec subsidy as follows:

- *Operating subsidy*

  Contribution for the payment of interest on the long-term debt contracted to finance fixed assets and for the acquisition of non-capitalizable property funded.

  Contribution for other expenses during the year.

2. ACCOUNTING POLICIES (cont'd)

Gouvernement du Québec subsidy (cont'd)

- *Subsidy for fixed assets*

  Contribution for repayment of the long-term debt contracted to finance depreciable fixed assets.

- *Deferred contributions*

  Contributions for the acquisition of depreciable fixed assets.

Deferred contributions

Contributions received for the acquisition of depreciable fixed assets and contributions in the form of depreciable fixed assets are deferred and transferred to revenue using the same methods and service life as those used for the depreciation of the fixed assets to which they refer.

Cash and cash equivalents

The Société's policy consists in presenting under cash and cash equivalents bank balances, short-term borrowings and short-term investments that are easy to convert in the short term to a known amount of cash whose value is not expected to change significantly.

Pension plans

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the Société lacks sufficient information to apply the accounting procedure for defined-benefit plans.

3. ROYALTIES

	2002	2001
Food services	$1 006 154	$728 143
Audiovisual services	336 174	278 577
Other	42 753	9 420
	$1 385 081	$1 016 140

4. ANCILLARY OPERATIONS

	2002	2001
Handling, shipping and hanging	$347 273	$294 785
Electricity, plumbing and other technical staff	550 985	380 079
Cleaning services	44 945	44 712
Furnishings and furniture	470 847	381 078
Audiovisual, sound and lighting	112 452	33 930
Telecommunications	325 893	220 038
Information, box office and cloakroom	80 493	83 112
Security	193 610	50 271
Other	69 151	23 278
	$2 195 649	$1 511 283

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

5. HOSTING OF EVENTS - EXPENSES

	2002	2001
Handling, shipping and hanging	$213 043	$174 489
Electricity, plumbing and other technical staff	240 173	134 716
Cleaning services	119 681	97 999
Furnishings and furniture	383 379	283 356
Audiovisual, sound and lighting	38 997	7 713
Telecommunications	48 622	23 439
Information, box office and cloakroom	188 628	151 200
Security	206 661	68 265
Other	57 366	15 858
	$1 496 550	$957 035

6. OPERATING AND ADMINISTRATIVE EXPENSES

	2002	2001
Salaries and fringe benefits	$3 513 123	$3 261 413
Insurance and permits	58 221	57 569
Power and heating	662 362	729 309
Caretaking	310 586	360 981
Cleaning services	136 081	123 009
Specialized maintenance services	749 343	647 507
Maintenance and repairs	906 043	664 265
Advertising and promotion	667 554	738 904
Professional and administrative services	99 778	61 209
Travel and duty expenses	130 546	141 156
Telecommunications	78 242	84 327
Stationery, printing and office supplies	65 776	59 154
Professional development	50 652	62 574
Bad debts	47 629	56 782
	$7 475 936	$7 048 159

7. NET FINANCIAL EXPENSES

	2002	2001
Interest on long-tem debt	$3 543 182	$3 908 794
Exchange gain (loss)	(2 925)	(9 628)
Other interest and bank expenses	19 397	8 613
	3 559 654	3 907 779
Interest on bank balances and term deposits	195 205	299 600
	$3 364 449	$3 608 179

8. GOUVERNEMENT DU QUÉBEC SUBSIDY

	2002	2001
Operating subsidy:		
Subsidy received for the year	$15 300 000	$14 272 400
Deferred contributions		
Contribution for acquisition of depreciable		
Fixed assets	(8 113)	(4 485)
Receipt – Subsidy for debt service [1]	(8 533 737)	(8 652 464)
	6 758 150	5 615 451
Contribution for payment of interest on long-term debt and related short-term borrowings contracted to finance depreciable fixed assets and for the acquisition non-capitalizable property funded[1]	3 932 017	3 955 651
	10 690 167	9 571 102
Subsidy for fixed assets:		
Contribution for repayment of the long-term debt equivalent to the depreciation of related fixed assets (net of amortization of deferred contributions) [1]	2 624 670	3 380 895
	$13 314 837	$12 951 997

(1) As at March 31, 2002, the subsidy to be recovered from the Gouvernement du Québec amounts to $1 506 643 (March 31, 2001: $470 407).

9. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net	Net
Land	$5 618 150		$5 618 150	$5 618 150
Buildings	100 479 337	$14 975 407	85 503 930	87 927 363
Furniture and equipment	9 367 120	8 663 611	703 509	1 262 342
	$115 464 607	$23 639 018	$91 825 589	$94 807 855

The cost and accumulated depreciation of fixed assets as at March 31, 2001 amount to $114 977 819 and $20 169 964 respectively.

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

10. SHORT-TERM BORROWINGS

The Société is authorized, under a short-term borrowing plan, to contract short-term borrowings to a maximum of $65 000 000 until March 31, 2003 and thereafter $4 000 000 until June 30, 2005. This plan was set up to take into account the refinancing deadlines for long-term borrowings maturing during the coming fiscal year and to finance the Société's development and equipment plan. The borrowings contracted in this way will be refinanced in the long term. At March 31, 2002, the short-term borrowings contracted from the Gouvernement du Québec's Financing Fund under said plan totalled $1 109 718 at rates varying from 2.04% to 2.38% and maturing on April 24 and June 25, 2002.

11. DEFERRED CONTRIBUTIONS

	2002	2001
Deferred Gouvernement du Québec contribution:		
Opening balance	$705 354	$810 328
Contribution for acquisition of fixed assets	8 113	4 485
	713 467	814 813
Less:		
Transfer to revenue of an amount equivalent to the depreciation of related fixed assets [1]	99 515	109 459
	613 952	705 354
Deferred City of Québec contribution:		
Opening balance	2 639 622	2 720 221
Less:		
Transfer to revenue of an amount equivalent to the depreciation of building [1]	80 599	80 599
	2 559 023	2 639 622
Deferred Government of Canada contribution:		
Opening balance	23 906 250	24 581 250
Less:		
Transfer to revenue of an amount equivalent to the depreciation of building [1]	675 000	675 000
	23 231 250	23 906 250
	$26 404 225	$27 251 226

(1) Amortization of deferred contributions for the year amounts to $855 114 (March 31, 2001: $865 058).

12. LONG-TERM DEBT

	2002	2001
Notes payable		
Gouvernement du Québec Financing Fund, 5.25% annually (effective rate of 5.676%), repayable in semi-annual instalments of $2 835 190, maturing April 1, 2002 [1] [2]	$57 061 113	$59 634 038
Gouvernement du Québec Financing Fund, at the 3-month banker's acceptance rate plus 0.233%, repayable in annual instalments, maturing August 5, 2002 [1]	2 553 816	2 713 430
Gouvernement du Québec Financing Fund, at the 3-month banker's acceptance rate plus 0.233%, repayable in annual instalments, maturing August 5, 2002 [1]	1 466 400	2 932 800
Gouvernement du Québec Financing Fund, 5.57% annually (effective rate of 5.802%), repayable in annual instalments of $860 000, maturing August 5, 2002 [1]	860 000	1 720 000
	61 941 329	67 000 268
Instalments due within one year [2]	7 568 011	5 058 939
	$54 373 318	$61 941 329

Repayment of the principal on the long-term debt over the next five fiscal years is as follows: [2]

2003	$7 568 011
2004	2 812 689
2005	2 968 590
2006	3 133 132
2007	3 306 793

(1) The Government committed to paying the Société the sums required to discharge its obligations regarding borrowings from the Financing Fund for the acquisition of fixed assets, after ensuring that the Société is unable to discharge them itself.

(2) This borrowing was refinanced in the long term from the Gouvernement du Québec's Financing Fund in April 2002 through a note payable of a nominal value of $55 723 777, at a annual rate of 5.468% (effective rate of 5.599%), repayable semi-annually in instalments of $2 873 946, maturing in April 2007. The capital payments to be made on this borrowing over the next five fiscal years are presented according to the new borrowing terms and conditions.

13. CONTRIBUTED SURPLUS

Transfer by the City of Québec, on January 1, 1994, for the nominal fee of $1, of a building recorded at its municipal assessment on that date.

SOCIÉTÉ DU CENTRE DES CONGRÈS DE QUÉBEC

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

14. CASH FLOWS

The cash and cash equivalents shown in the cash flow statement include the following amounts recorded in the balance sheet:

	2002	2001
Cash on hand	$766 637	$360 415
Term deposits	2 900 000	2 290 000
Short-term borrowings	(1 109 719)	
	$2 556 918	$2 650 415

The interest on the long-term debt paid by the Société during the fiscal year totalled $3 384 657 (March 31, 2001: $3 731 248).

15. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements and recorded at exchange value, the Société is a related party to all departments and special funds as well as to agencies and enterprises which are controlled directly or indirectly by the Gouvernement du Québec or are subject to either joint control or significant influence by the Gouvernement du Québec. The Société did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

16. PENSION PLANS

The staff members of the Société participate in the Government and Public Employees Retirement Plan (RREGOP) or in the Pension Plan of Management Personnel (PPMP). These are interenterprise defined-benefit plans and include guaranteed payments upon retirement and death.

The Société's contributions charged to the year-end statement amount to $82 318 (March 31, 2001: $61 781). The Société's liability towards this Government plan is restricted to its contributions as an employer.

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Société du Centre des congrès de Québec as at March 31, 2002, the statement of revenue and expenditure and surplus and the cash flow statement for the year then ended. These financial statements are the responsibility of Société management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Société's financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, June 6, 2002

SOCIÉTÉ DU GRAND THÉÂTRE DE QUÉBEC
(R.S.Q., c. S-14.01)

RESULTS AND SURPLUS
for the year ended August 31, 2001

	2001	2000
REVENUE		
Gouvernement du Québec subsidies (Note 3)	$5 325 805	$5 660 971
Performance production and presentation (Note 4)	911 912	846 861
Ticket office	896 025	795 610
Rent – auditoriums	738 182	782 748
Theatrical services	809 453	819 550
Customer service	106 624	120 180
Parking	107 109	113 281
Interest	98 057	99 879
Other	58 721	53 295
	9 051 888	9 292 375
EXPENDITURE		
Performance production and presentation (Note 4)	931 426	934 238
Box office operations	656 553	632 837
Auditorium operations	293 655	326 895
Theatrical services	1 154 382	1 220 346
Marketing	466 778	451 930
Administrative services	639 579	649 616
Maintenance and caretaking	1 054 906	1 179 152
Electricity	366 331	362 865
Municipal and school taxes	1 455 968	1 301 992
Interest on the long-term debt	834 966	805 623
Depreciation of fixed assets	1 125 004	1 153 875
	8 979 548	9 019 369
EXCESS REVENUE OVER EXPENDITURE	72 340	273 006
SURPLUS, BEGINNING OF YEAR	273 006	
SURPLUS, END OF YEAR	$345 346	$273 006

SOCIÉTÉ DU GRAND THÉÂTRE DE QUÉBEC

BALANCE SHEET
as at August 31, 2001

	2001	2000
ASSETS		
Current assets		
Cash on hand	$918 447	$894 777
Term deposits (Note 5)	231 788	444 512
Accounts receivable	409 450	390 386
Gouvernement du Québec subsidies receivable (Note 6)	3 943 697	1 052 526
Supplies inventory	93 661	89 826
Prepaid expenses	475 049	418 700
	6 072 092	3 290 727
Cash reserved for constructions and renovation	183 065	67 884
Gouvernement du Québec subsidies receivable (Note 6)	7 466 648	10 176 149
Fixed assets (Note 7)	25 160 160	25 915 610
Deferred expenses	22 513	19 770
	$38 904 478	$39 470 140
LIABILITIES		
Current liabilities		
Deposits – ticket sales (Note 8)	$546 907	$712 526
Suppliers and accruals	673 223	651 937
Accrued interest	424 441	400 792
Gouvernement du Québec deferred subsidies (Note 9)	451 328	402 000
Revenue collected in advance	112 121	154 877
Instalments of the long-term debt (Note 10)	3 498 326	608 237
	5 706 346	2 930 369
Gouvernement du Québec deferred subsidies (Note 9)	21 074 917	21 641 042
Long-term debt (Note 10)	7 156 299	10 004 153
	33 937 562	34 575 564
EQUITY		
Contributed surplus (Note 11)	4 621 570	4 621 570
Surplus	345 346	273 006
	4 966 916	4 894 576
	$38 904 478	$39 470 140

On behalf of the Board of Directors,
P.-Michel Bouchard, lawyer
Danyelle Bédard

SOCIÉTÉ DU GRAND THÉÂTRE DE QUÉBEC

CASH FLOWS
for the year ended August 31, 2001

	2001	2000
OPERATING ACTIVITIES		
Excess revenue over expenditure	$72 340	$273 006
Adjustments for:		
Depreciation of deferred subsidies	(1 354 951)	(1 510 318)
Depreciation of fixed assets	1 125 004	1 153 875
Amortization of deferred expenses	8 983	8 174
	(148 624)	(75 263)
Change in non-cash elements of the Working Capital Fund:		
Change in debtors	(19 064)	242 203
Encashment of subsidies receivable from the Gouvernement du Québec	(1 082)	26 072
Change in supplies inventory	(3 835)	420
Increase in prepaid expenses	(56 349)	(13 081)
Increase in deferred expenses	(11 725)	
Decrease in deposits – ticket sales	(165 619)	(1 460 344)
Change in suppliers and accruals	21 286	(200 542)
Change in accrued interest	23 649	(13 859)
Increase in deferred subsidies	49 328	
Decrease in revenue collected in advance	(42 756)	(41 498)
Cash flows related to operating activities	(354 791)	(1 535 892)
FINANCING ACTIVITIES		
Gouvernement du Québec subsidies received	608 237	608 237
Long-term debt	650 472	1 395 521
Repayment of long-term debt	(608 237)	(608 237)
Repayment of the amount owed to the Gouvernement du Québec		(145 305)
Cash flows related to financing activities	650 472	1 250 216
INVESTMENT ACTIVITIES		
Increase in cash reserved for construction and renovations	(115 181)	(41 752)
Acquisition of fixed assets	(369 554)	(1 026 842)
Cash flows related to investment activities	(484 735)	(1 068 594)
CHANGE IN CASH AND CASH EQUIVALENTS	(189 054)	(1 354 270)
CASH AND CASH EQUIVALENTS AT THE BEGINNING	1 339 289	2 693 559
CASH AND CASH EQUIVALENTS AT THE END (Note 12)	$1 150 235	$1 339 289

SOCIÉTÉ DU GRAND THÉÂTRE DE QUÉBEC

NOTES TO FINANCIAL STATEMENTS
August 31, 2001

1. CONSTITUTION AND PURPOSE

A legal person within the meaning of the Civil Code, the Société du Grand Théâtre de Québec was established under the Act respecting the Société du Grand Théâtre de Québec (R.S.Q., c. S-14.01) to operate a performing arts dissemination enterprise and administer the Grand Théâtre de Québec or any other establishment the Government mandates it to manage.

These activities are designed, in particular, to provide a home for major artistic organizations, promote accessibility to the different forms of performing arts and promote Québec's artistic and cultural life.

Under section 32 of its incorporating statute, the Société funds its activities through the amounts it receives and the appropriations granted annually for this purpose by the National Assembly. The Société keeps any surplus unless the Government decides otherwise.

2. ACCOUNTING POLICIES

The financial statements of the Société were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Subsidy recording

Subsidies are recorded as products for the fiscal year in which the related charges were incurred.

Supplies inventory

Supplies on hand are valued at cost.

Fixed assets

The property and building, acquired from the Gouvernement du Québec for a nominal value, are posted at the municipal assessment value at the date of acquisition. Other acquisitions are recorded at cost, which includes materials, direct labour, professional fees and other direct expenses. Fixed assets are amortized according to the straight-line method over their estimated service life, namely:

Building	40 years
Major extensions and repairs to building	15 years
Technical stage equipment	10 years
Office furniture and equipment	5 years
Data processing equipment	3 years

Deferred expenses

The discount and long-term debt issuing expenses are deferred and amortized using the straight-line method for the duration of the debt.

Performance production and presentation expenses

Performance production and presentation expenses include only direct costs charged to productions. Indirect costs related to productions are posted to other expenditure items.

Pension plan

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the Société lacks sufficient information to apply the accounting procedure for defined-benefit plans.

3. GOUVERNEMENT DU QUÉBEC SUBSIDIES

	2001	2000
Operating subsidy *	$3 144 872	$3 353 204
Interest on long-term debt	825 982	797 449
Amortization of deferred Gouvernement du Québec subsidies **	1 354 951	1 510 318
	$5 325 805	$5 660 971

* Unlike some Government agencies, the Société du Grand Théâtre de Québec pays municipal tax. Furthermore, in accordance with the deed of assignment for the building, the Société must house the Conservatoire de musique de Québec free of charge. The operating subsidy takes into account these special commitments, which amount to $1 455 968 and $198 732 respectively (2000: $1 301 992 and $201 809).

**This amount includes $8 983 (2000: $8 174) for the amortization of deferred expenses and $220 963 (2000: $348 819) for the financing of current charges related to building maintenance. These charges break down as follows:

	2001	2000
Maintenance and caretaking	$196 122	$324 580
Theatrical services	24 841	24 239

4. NON-MONETARY TRANSACTIONS

The Société exchanges goods and services with certain suppliers. These non-monetary transactions are entered in the Société's year-end statement at the fair value of the goods and services exchanged, which increased the Société's revenue and expenditure for performance production and presentation for an amount of $114 337 (2000: $152 159).

5. TERM DEPOSITS

Term deposits bear interest at a rate varying from 4.35% to 4.40% (2000: 5.85% to 5.95%).

6. GOUVERNEMENT DU QUÉBEC SUBSIDIES RECEIVABLE

Gouvernement du Québec subsidies receivable presented as short-term correspond to the interest charged on the long-term debt, the interest paid and not reimbursed on the bank loans included in the long-term debt and to reimbursement of capital on the long-term debt in the next fiscal year.

Those presented as long-term represent total Gouvernement du Québec commitments related to fixed assets and their maintenance minus reimbursement of capital on the long-term debt made in the past or to be made in the next fiscal year.

NOTES TO FINANCIAL STATEMENTS (cont'd)
August 31, 2001

7. FIXED ASSETS

	2001			2000
	Cost or stated value	Accumulated depreciation	Net	Net
Land	$4 621 570		$4 621 570	$4 621 570
Building	23 901 091	$6 722 182	17 178 909	17 776 436
Major extensions and repairs to the building	4 336 328	2 405 380	1 930 948	2 072 023
Technical stage equipment	4 584 130	3 238 381	1 345 749	1 400 715
Office furniture and equipment	246 532	201 043	45 489	12 498
Data processing equipment	343 094	305 599	37 495	32 368
	$38 032 745	$12 872 585	$25 160 160	$25 915 610

8. DEPOSITS – TICKET SALES

During the year, in its capacity as co-manager of the Billetech ticket office, the Société sold tickets to various events. Most of this amount belongs to independent producers. This item shows the amount paid by customers for shows which had not yet been presented as at August 31, 2001.

9. GOUVERNEMENT DU QUÉBEC DEFERRED SUBSIDIES

	2001	2000
Opening balance	$22 043 042	$22 742 760
Government commitments regarding fixed assets and their maintenance	777 100	810 600
Long-term debt issuing expenses	11 726	
Commitments related to property taxes	49 328	
Amortization of deferred subsidies	(1 354 951)	(1 510 318)
	21 526 245	22 043 042
Government commitments designed to cover costs for the next fiscal year	(451 328)	(402 000)
	$21 074 917	$21 641 042

10. LONG-TERM DEBT

	2001	2000
Borrowings from the Financing Fund of the Gouvernement du Québec		
Fixed rate of 10.24%, repayable in annual instalments of $181 092 until October 24, 2000 and a final instalment of $2 897 472 $ on October 24, 2001	$2 897 472	$3 078 564
Fixed rate of 9.50%, repayable in annual instalments of $216 633 until April 1, 2004 and a final instalment of $1 299 800 on April 1, 2005	1 949 700	2 166 334
Fixed rate of 5.62%, repayable in annual instalments of $210 512 until June 1, 2003 and a final instalment of $2 314 052 on December 1, 2003	2 735 076	2 945 588
Amounts carried forward	$7 582 248	$8 190 486

10. LONG-TERM DEBT (cont'd)

	2001	2000
Amounts brought forward	$7 582 248	$8 190 486
Fixed rate of 5.673%, repayable in annual instalments of $173 708 until April 11, 2005 and a final instalment of $1 910 991 on April 11, 2006	2 605 625	
Bank loans *		
Prime rate, 6.00% as at August 31, 2001, maturing December 31, 2001	360 000	1 798 000
Suppliers and accruals *	106 752	623 904
	10 654 625	10 612 390
Instalments due within one year	3 498 326	608 237
	$7 156 299	$10 004 153

The Société receives subsidies from the Gouvernement du Québec to cover the long-term debt service.

* Bank loans, amounts owing to suppliers an accrued expenses related to fixed assets projects in progress are treated as a long-term debt, since they will be repaid through long-term financing.

Repayment of principal on the long-term debt over the next five fiscal years is as follows:

2002	$3 498 326
2003	600 854
2004	2 704 394
2005	1 473 508
2006	1 910 792

The maximum amount authorized by the Gouvernement du Québec for bank loans is $777 100 (2000: $2 593 900).

11. CONTRIBUTED SURPLUS

The contributed surplus amount corresponds to the property's municipal assessment on the date of acquisition.

12. CASH FLOWS

The cash and cash equivalents shown in the cash flow statement include the following amounts recorded in the balance sheet:

	2001	2000
Cash on hand	$918 447	$894 777
Term deposit	231 788	444 512
	$1 150 235	$1 339 289

Interest on the long-term debt paid by the Société during the fiscal year totalled $686 589 (2000: $811 307).

13. LINE OF CREDIT

The Société has a line of credit, with a financial institution, that is renewable annually at December 31. The amounts borrowed are authorized by the Gouvernement du Québec up to $800 000 and bear interest at the prime rate. At August 31, 2001, the Société had not used this line of credit.

14. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements and recorded at exchange value, the Société is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or are subject to either joint control or significant influence by the Gouvernement du Québec. The Société did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

15. PENSION PLANS

The Société contributes to three pension plans in which certain staff members participate. Two of them are defined-contribution pension plans and include guaranteed payments upon retirement, loss of employment and death and the other is the interenterprise defined-benefit plan Government and Public Employees Retirement Plan (RREGOP), which includes guarantees on retirement and death.

At the end of the fiscal year, defined-contribution plans had surplus assets in the amount of $67 875 (2000: $100 875).

The Société's contributions charged to the year-end statement amount to $111 671 (2000: $146 714). The Société had decided to use part of the surplus assets, namely $33 000 (2000: $0) during the fiscal year. The Société's liability towards these plans is restricted to its contributions as an employer.

SOCIÉTÉ DU GRAND THÉÂTRE DE QUÉBEC

MANAGEMENT'S REPORT

The financial statements of the Société du Grand Théâtre de Québec were drawn up by the management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that the assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Société recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors oversees the manner in which management performs its financial reporting duties, and has approved the financial statements. It is assisted by the audit committee, whose members are not management. This committee meets with management and the auditor, examines the financial statements and recommends their approval to the board of directors.

The Auditor General of Québec has audited the Société's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the audit committee to discuss any matter related to the audit.

Francine Grégoire
Director General

Québec, November 16, 2001

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Société du Grand Théâtre de Québec as at August 31, 2001 and the statements of results and surplus and cash flows for the year then ended. These financial statements are the responsibility of Société management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Société's financial position as at August 31, 2001 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Guy Breton, FCA
Auditor General of Québec

Québec, November 16, 2001

SOCIÉTÉ DU PALAIS DES CONGRÈS DE MONTRÉAL
(R.S.Q., c. S-14.1)

REVENUE AND EXPENDITURE AND DEFICIT
for the year ended March 31, 2002

	2002	2001
REVENUE		
Gouvernement du Québec operating subsidy (Note 3)	$15 566 835	$14 624 526
Rental of premises for events	1 914 842	3 540 861
Royalties (Note 4)	1 044 127	2 227 725
Ancillary operations (Note 5)	2 113 618	3 585 966
Other	444 891	
	21 084 313	23 979 078
EXPENDITURE		
Operating and administrative expenses (Note 6)	15 297 806	16 550 992
Hosting of events (Note 7)	1 877 057	2 981 932
Net financial expenses (Note 8)	3 891 251	4 441 859
	21 066 114	23 974 783
EXCESS REVENUE OVER EXPENDITURE BEFORE THE FOLLOWING ITEMS	18 199	4 295
Gouvernement du Québec subsidy for fixed assets and deferred expenses (Note 3)	3 062 218	3 085 231
Amortization of deferred contributions	940 784	969 994
Depreciation of fixed assets	(3 947 065)	(3 978 216)
Amortization of deferred expenses	(55 936)	(70 452)
Gain (loss) on disposal of fixed assets	621	(5 291)
EXCESS REVENUE OVER EXPENDITURE	18 821	5 561
DEFICIT, BEGINNING OF YEAR	1 000 948	1 006 509
DEFICIT, END OF YEAR	$982 127	$1 000 948

SOCIÉTÉ DU PALAIS DES CONGRÈS DE MONTRÉAL

BALANCE SHEET
as at March 31, 2002

	2002	2001
ASSETS		
Current assets		
Cash on hand	$310 080	$294 880
Accounts receivable	1 408 717	1 883 288
Gouvernement du Québec subsidy to be recovered	5 232 827	2 063 467
Prepaid expenses	1 529 253	1 662 115
	8 480 877	5 903 750
Gouvernement du Québec subsidy to be recovered	11 827 816	12 594 437
Fixed assets (Note 9)	91 997 732	89 569 506
Deferred expenses, at amortized cost	139 062	194 998
	$112 445 487	$108 262 691
LIABILITIES		
Current liabilities		
Short-term borrowing from the Financing Fund of the Gouvernement du Québec (Note10)	$3 633 683	$3 633 683
Accounts payable and accruals	4 632 193	4 249 835
Customer deposits	1 400 750	715 750
Instalments on long-term debt (Note 11)	695 156	544 692
	10 361 782	9 143 960
Deferred revenue	100 732	141 024
Long-term debt (Note 11)	85 491 469	81 586 625
Deferred contributions (Note 12)	17 473 631	18 392 030
	113 427 614	109 263 639
DEFICIT	982 127	1 000 948
	$112 445 487	$108 262 691

COMMITMENTS (Note 15)

On behalf of the Board of Directors,
John H. Dinsmore
Jacques Hamou

SOCIÉTÉ DU PALAIS DES CONGRÈS DE MONTRÉAL

CASH FLOWS
for the year ended March 31, 2002

	2002	2001
OPERATING ACTIVITIES		
Receipts– Government, clients	$22 925 749	$24 604 006
Disbursements– suppliers and staff members	(16 699 935)	(19 094 933)
Interest earned	60 512	193 750
Interest paid	(3 951 763)	(4 635 609)
Cash flows related to operating activities	2 334 563	1 067 214
INVESTMENT ACTIVITIES		
Purchase of fixed assets	(6 375 292)	(2 240 545)
Proceeds from the sale of fixed assets	621	1 266
Cash flows related to investment activities	(6 374 671)	(2 239 279)
FINANCING ACTIVITIES		
Repayment of long-term debt	(544 692)	(73 270)
Net proceeds for short-term borrowing		(1 013 244)
Proceeds from long-term debt	4 600 000	2 288 244
Cash flows related to financing activities	4 055 308	1 201 730
NET INCREASE IN CASH AND CASH EQUIVALENTS	15 200	29 665
OPENING CASH POSITION	294 880	265 215
CLOSING CASH POSITION	$310 080	$294 880

SOCIÉTÉ DU PALAIS DES CONGRÈS DE MONTRÉAL

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

A legal person within the meaning of the Civil Code, the Société du Palais des congrès de Montréal was established under a special act (R.S.Q., c. S-14.1) for the purpose of:

- managing and operating the Palais des congrès de Montréal;
- preparing development or operational plans for the Palais des congrès;
- carrying on, promoting and administering such commercial and other activities as may foster the development of the Palais des congrès.

Under section 3 of the Act establishing it, the Société du Palais des congrès de Montréal is not subject to income tax.

2. ACCOUNTING POLICIES

The Société's financial statements were prepared by management on the accrual basis in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Gouvernement du Québec subsidy to be recovered

The subsidy to be recovered from the Government corresponds to the difference between the interest expenses accrued on borrowings for the acquisition of fixed assets plus the depreciation on those assets and the deferred expenses financed by the borrowings, and the total subsidies received from the Gouvernement du Québec to pay back those borrowings.

Fixed assets

Fixed assets are recorded at cost. Fixed assets received as contributions are recorded at their fair value on the date of contribution.

Fixed assets are depreciated over their estimated useful life according to the straight-line method as follows:

Building	40 years
Furniture and equipment	10 years
Data processing equipment	5 years
Leasehold improvements	Remaining term of the lease

Deferred expenses

Issue and management expenses on borrowings from the Financing Fund of the Gouvernement du Québec are deferred and amortized according to the straight-line method over the term of the borrowings.

Deferred revenue

Lease inducements paid by the lessor to the Société under a long-term lease for office space are amortized according to the sum-of-the-years'-digits method over the term of the lease (16 years). The amortization is applied against the rent.

Deferred contributions

Contributions received for the acquisition of depreciable fixed assets and those received in the form of depreciable fixed assets are deferred and recorded in the statement of revenue and expenditure as the assets to which they pertain are depreciated.

Pension plans

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the Société lacks sufficient information to apply the accounting procedure for defined-benefit plans.

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

2. ACCOUNTING POLICIES (cont'd)

Gouvernement du Québec subsidy

The Société records and distributes the Gouvernement du Québec subsidy as follows:

- *Operating subsidy*

  Contribution for the payment of interest on the long-term debt contracted to finance depreciable fixed assets.

  Contribution for other expenses incurred during the year.

- *Subsidy for fixed assets and deferred expenses*

  Contribution for the repayment of the long-term debt contracted to finance fixed assets and the related deferred expenses.

- *Deferred contributions*

  Contribution for the acquisition of depreciable fixed assets.

3. GOUVERNEMENT DU QUÉBEC SUBSIDY

	2002	2001
Operating subsidy		
Subsidy for the year	$16 248 700	$16 248 700
Deferred contributions – Contribution for the acquisition of depreciable fixed assets	(22 386)	(99 041)
Receipt – Gouvernement du Québec subsidy owing	(1 563 467)	(2 543 908)
	14 662 847	13 605 751
Contribution to be recovered for the payment of interest on the long-term debt contracted to finance depreciable fixed assets	903 988	1 018 775
Total operating subsidy	15 566 835	14 624 526
Subsidy for fixed assets and deferred expenses	3 062 218	3 085 231
	$18 629 053	$17 709 757

4. ROYALTIES

	2002	2001
Ticket sales	$205 879	$152 553
Food services	531 544	1 154 190
Audiovisual services and simultaneous translation	297 155	906 498
Other	9 549	14 484
	$1 044 127	$2 227 725

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

5. ANCILLARY OPERATIONS

	2002	2001
Parking	$610 485	$806 981
Furnishings	375 329	721 268
Audiovisual services	309 241	742 101
Cloakroom attendants	74 412	131 317
Media	4 450	17 420
Crowd managers	21 605	30 690
Plumbing and electricity	514 311	877 712
Security	85 440	93 332
Other	118 345	165 145
	$2 113 618	$3 585 966

6. OPERATING AND ADMINISTRATIVE EXPENSES

	2002	2001
Salaries and fringe benefits	$4 653 374	$5 078 680
Taxes	5 691 408	5 563 516
Insurance and permits	144 140	86 021
Electricity and heating	1 076 073	1 167 378
Caretaking	468 084	465 280
Cleaning services	288 206	313 294
Specialized maintenance services	617 698	597 841
Maintenance and repairs	963 624	1 410 830
Rent	515 394	495 024
Advertising and promotion	567 326	892 351
Professional and administrative services	124 729	170 654
Travelling expenses	96 263	208 240
Doubtful accounts	35 901	40 003
Job training	55 586	61 880
	$15 297 806	$16 550 992

7. HOSTING OF EVENTS - EXPENSES

	2002	2001
Salaries – event staff:		
Customer service	$305 637	$457 034
Parking lot attendants	56 113	79 335
Cloakroom attendants	44 064	70 686
Crowd managers	4 929	17 342
Audiovisual technicians	108 699	190 222
Food services	20 977	29 253
Furnishings	990 449	1 367 517
Audiovisual services	76 709	250 789
Plumbing and electricity	148 350	289 350
Media	14 211	27 792
Security	71 719	69 860
Other expenses	35 200	132 752
	$1 877 057	$2 981 932

SOCIÉTÉ DU PALAIS DES CONGRÈS DE MONTRÉAL

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

8. NET FINANCIAL EXPENSES

	2002	2001
Interest on long-term debt	$3 709 446	$4 148 999
Other interest and bank charges	242 317	486 610
	3 951 763	4 635 609
Interest on bank balance and term deposits	60 512	193 750
	$3 891 251	$4 441 859

9. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net	Net
Land	$17 002 563		$17 002 563	$16 320 734
Building	119 455 402	$52 127 720	67 327 682	69 344 346
Furniture and equipment	14 115 226	7 769 954	6 345 272	2 035 182
Leasehold improvements	481 717	357 049	124 668	155 835
Data processing equipment	3 814 510	2 616 963	1 197 547	1 713 409
	$154 869 418	$62 871 686	$91 997 732	$89 569 506

On September 30, 1998, the Société received authorization from the Gouvernement du Québec to expand the Palais des congrès in the quadrilateral Saint-Urbain, Bleury, Viger and Saint-Antoine. The mandate for expansion work to the Palais des congrès de Montréal was entrusted to the Société immobilière du Québec. It will cede to the Société du Palais des congrès de Montréal all work completed for an amount equivalent to the cost of this work. The total estimated project cost is $257 800 000. Project completion is scheduled for fall 2002. The Société's cumulated costs for this project at March 31, 2002 total $21 946 100 and break down as follows:

Land	$14 017 512
Building	2 482 261
Equipment	5 446 327
	$21 946 100

These fixed assets will be amortized once the project is completed.

In the coming months, the Société, through the intermediary of the Ministère of Transport of the Gouvernement du Québec, will expropriate the land and buildings required to expand the Palais des congrès de Montréal, for a total of approximately $1 182 488. Furthermore, in coming fiscal years, the Société will acquire equipment for approximately $3 671 412.

10. TEMPORARY BORROWING

From the Financing Fund of the Gouvernement du Québec

The Société's short-term borrowing bears interest at a rate of 2.26% and matures on August 22, 2002.

The Société is authorized to contract short-term borrowings of up to $80 000 000 until September 30, 2003 and then $5 000 000 from that date to March 31, 2007 from financial institutions or the Minister of Finance, as manager of the Financing Fund, to contract these borrowing at variable or fixed rates, to make these financial commitments, to conclude the agreements needed for their realization and to issue any debt instruments.

From financial institutions

The Société had authorized credit, renewable annually, on September 30, 2002, from a financial institution. As at March 31, 2002, the maximum amount that the Société could withdraw was $1 000 000. Amounts used bear interest at the prime rate.

11. LONG-TERM DEBT

	2002	2001
Note payable		
Financing Fund of the Gouvernement du Québec, 5.719% annually, repayable in quarterly instalments of $1 264 225, $28 634 137 maturing October 1, 2007	$32 787 808	$33 300 000
Financing Fund of the Gouvernement du Québec, 5.563% annually (effective rate of 5.657%), maturing April 1, 2002 **	32 532 500	32 565 000
Financing Fund of the Gouvernement du Québec, 2.48384% annually (effective rate of 2,53384%), maturing September 9, 2002 *	6 000 000	6 000 000
Financing Fund of the Gouvernement du Québec, 2.61554% annually (effective rate of 2.65554%), maturing September 19, 2002 *	9 000 000	9 000 000
Financing Fund of the Gouvernement du Québec, 2.26% annually (effective rate of 2.31%), maturing August 22, 2002 *	3 366 317	1 266 317
Financing Fund of the Gouvernement du Québec, 1.99396% annually (effective rate of 2.04396%), maturing June 10, 2002 *	2 500 000	
	86 186 625	82 131 317
Instalments due within one year	695 196	544 692
	$85 491 469	$81 586 625

* These debts for the Palais expansion project are considered long-term debt, given that it will be repaid through long-term financing.

** This debt will be consolidated by the long-term financing of an expansion project in fiscal 2002-2003.

11. LONG-TERM DEBT (cont'd)

Principal payments on the long-term debt to be paid for the next five fiscal years are as follows:

2003	$695 156
2004	701 095
2005	741 764
2006	784 792
2007	830 316

The Government committed to paying the Société the sums required to discharge its obligations regarding borrowings from the Financing Fund for the acquisition of fixed assets, after ensuring that the Société is unable to discharge them itself.

12. DEFERRED CONTRIBUTIONS

	2002	2001
Contributions for depreciable fixed assets:		
Government of Canada	$24 000 000	$24 339 600
Gouvernement du Québec	6 978 611	10 469 561
Hydro-Québec	237 838	237 838
Lessor	1 177 906	1 177 906
Concession holder	299 410	299 410
	32 693 765	36 524 315
Accumulated depreciation	15 220 134	18 132 285
	$17 473 631	$18 392 030

During the fiscal year, the Société wrote off deferred contributions in the amount of $3 852 936.

13. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements and recorded at exchange value, the Société is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Société did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

14. FUTURE FRINGE BENEFITS

Pension plans

The staff members of the Société participate in the Government and Public Employees Retirement Plan (RREGOP), in the Civil Service Superannuation Plan (CSSP) or in the Pension Plan of Management Personnel (PPMP). These interenterprise plans are defined-benefit plans and include guaranteed payments upon retirement and death.

The Société's contributions charged to the year-end statement amount to $98 480 (2001: $107 325). The Société's liability towards these Government plans is restricted to its contributions as an employer.

15. COMMITMENTS

The Société is committed to a long-term lease for office space expiring in 2007. This lease includes two five-year renewal options.

The estimated minimum lease payments, less the amortization of deferred revenue (lease inducements), are as follows:

2003	$381 923
2004	388 639
2005	395 354
2006	402 069
2007	304 910
	$1 872 895

16. COMPARATIVE FIGURES

Certain 2001 figures were reclassified for consistency with the presentation adopted in 2002.

SOCIÉTÉ DU PALAIS DES CONGRÈS DE MONTRÉAL

MANAGEMENT'S REPORT

The financial statements of the Société du Palais des congrès de Montréal were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Société recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors must oversee the manner in which management performs its financial reporting duties, and has approved the financial statements. It is assisted by the audit committee, whose members are not management. This committee meets with management and the auditor, examines the financial statements and recommends their approval to the board of directors.

The Auditor General of Québec has audited the Société's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with management to discuss any element matter related to the audit.

Paul Saint-Jacques
President and Chief Executive Officer

André Saucier, CGA
Director, Financial Resources and Administration

Montréal, May 31, 2002

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Société du Palais des congrès de Montréal as at March 31, 2002 and the statements of revenue and expenditure and deficit and cash flows for the year then ended. These financial statements are the responsibility of Société management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Société's financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, May 31, 2002

SOCIÉTÉ DU PARC INDUSTRIEL ET PORTUAIRE DE BÉCANCOUR
(R.S.Q., c. S-16.001)

REVENUE AND EXPENDITURE AND EQUITY
for the year ended March 31, 2002

	2002	2001
REVENUE (Note 3)	$4 860 555	$4 959 055
EXPENDITURE		
Operating expenses by category (Note 4)		
Salaries and fringe benefits	838 194	829 762
Materials and supplies	645 802	664 007
Maintenance and repairs	471 983	586 608
Municipal and school taxes	181 257	196 272
Professional, administrative and other services	169 832	214 423
Advertising and promotion	119 894	70 320
Caretaking	101 931	99 374
Doubtful accounts	94 894	
Travelling and communications	55 079	62 900
	2 678 866	2 723 666
Depreciation of fixed assets	1 831 047	1 820 421
	4 509 913	4 544 087
Other expenses		
Partial financing of Bécancour's water supply and sewer systems (Note 8)	47 874	47 663
Interest on long-term debt	977 486	975 009
Amortization of discount on long-term debt	59 397	59 397
	5 594 670	5 626 156
EXCESS EXPENDITURE OVER REVENUE BEFORE THE FOLLOWING ITEM	734 115	667 101
Settlement of a dispute (Note 5)	145 338	329 660
EXCESS EXPENDITURE OVER REVENUE	879 453	996 761
EQUITY, BEGINNING OF YEAR	14 650 028	15 646 789
EQUITY, END OF YEAR	$13 770 575	$14 650 028

SOCIÉTÉ DU PARC INDUSTRIEL ET PORTUAIRE DE BÉCANCOUR

BALANCE SHEET
as at March 31, 2002

	2002	2001
ASSETS		
Current assets		
Cash on hand	$571 235	$650 451
Accounts receivable	919 717	498 845
Spare parts inventory	221 494	224 849
Prepaid expenses	96 678	100 506
	1 809 124	1 474 651
Discount on long-term debt – at unamortized cost	162	59 559
Land for sale	5 517 954	5 525 827
Fixed assets (Note 6)	26 101 383	26 684 205
	$33 428 623	$33 744 242
LIABILITIES		
Current liabilities		
Accounts payable and accruals	$423 370	$315 677
Accrued interest on long-term debt	468 269	468 269
Holdback on contracts	46 863	30 681
Deferred revenue	653 454	218 278
	1 591 956	1 032 905
Provision for sick leave (Note 11)	79 435	74 652
Long-term debt (Note 7)	17 986 657	17 986 657
	19 658 048	19 094 214
EQUITY	13 770 575	14 650 028
	$33 428 623	$33 744 242

COMMITMENTS (Note 8)

On behalf of the Board of Directors,
Léopold Gagnon, President
Guy Vachon, Vice-President

SOCIÉTÉ DU PARC INDUSTRIEL ET PORTUAIRE DE BÉCANCOUR

CASH FLOWS
for the year ended March 31, 2002

	2002	2001
OPERATING ACTIVITIES		
Excess expenditure over revenue	$(879 453)	$(996 761)
Adjustments for:		
Depreciation of fixed assets	1 831 047	1 820 421
Amortization of discount on long-term debt	59 397	59 397
(Gain) on sale of land	(19 273)	
(Gain) loss on disposal of fixed assets	(6 448)	1 889
	985 270	884 946
Changes in assets and liabilities related to operations (Note 9)	161 109	(853 913)
Cash flows related to operating activities	1 146 379	31 033
INVESTMENT ACTIVITIES		
Acquisition of fixed assets	(1 232 043)	(966 838)
Proceeds from disposal of fixed assets	6 448	50
Cash flows related to investment activities	(1 225 595)	(966 788)
DECREASE IN CASH AND CASH EQUIVALENTS	(79 216)	(935 755)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	650 451	1 586 206
CASH AND CASH EQUIVALENTS, END OF YEAR	$571 235	$650 451

SOCIÉTÉ DU PARC INDUSTRIEL ET PORTUAIRE DE BÉCANCOUR

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

A legal person within the meaning of the Civil Code, the Société du parc industriel et portuaire de Bécancour was established under a special act (R.S.Q., c. S-16.001) for the purpose of fostering the economic development of Québec by developing and operating, with self-financing as an objective, an industrial park with harbour facilities within the territory of the town of Bécancour. Under federal and provincial tax legislation, the Société is not subject to income tax.

2. ACCOUNTING POLICIES

The Société's financial statements were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Cash and cash equivalents

Cash and cash equivalents comprise petty cash and bank balances.

Spare parts inventory

The spare parts inventory is valued at the lower of cost, determined according to the first-in, first-out method, and replacement value.

Discount on long-term debt

The discount on the long-term debt is amortized according to the straight-line method over the term of the borrowing.

Land for sale

Land for sale is recorded at the lower of average acquisition cost and net realizable value. Municipal and school taxes, along with any interest charges related to the purchase of this land, are charged to operations.

Fixed assets

Fixed assets are recorded at cost less attendant subsidies from the Gouvernement du Québec. They are depreciated on a straight-line basis at the following rates:

Buildings, storage areas and parking space	2 1/2% to 5%
Harbour facilities	2 1/2% to 20%
Vehicles	20%
Equipment	6 2/3% and 10%
Water supply and sewer systems	3 1/3% to 5%
Industrial water plant and distribution system	2 1/2% and 5%
Roads and streets	4% and 5%
Rail network	2 1/2%
Office furniture and equipment	10% and 20%

Pension plan

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the Société lacks sufficient information to apply the accounting procedure for defined-benefit plans.

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

3. REVENUE

	2002	2001
Operating revenue:		
Port revenue	$2 381 679	$2 429 638
Industrial water service	1 101 126	1 189 138
Recovery of certain maintenance costs from the town of Bécancour	850 000	850 000
Building rental	415 998	406 470
Public services related to the sale of land	56 464	
Interest on cash on hand and term deposits	20 741	79 180
Gain (loss) on disposal of fixed assets	6 448	(1 889)
Other revenue	8 826	6 518
	4 841 282	4 959 055
Sale of land:		
Proceeds from sale of land	27 146	
Cost of land sold	(7 873)	
	19 273	
	$4 860 555	$4 959 055

4. OPERATING EXPENSES BY SECTOR OF ACTIVITY, BEFORE DEPRECIATION OF FIXED ASSETS

	2002	2001
General administration	$1 056 543	$978 820
Industrial water plant and distribution system	661 496	633 910
Buildings	285 246	394 363
Transportation network	227 150	253 720
Harbour facilities	205 834	220 726
Vehicles and equipment	135 414	127 727
Water supply and sewer systems	107 183	114 400
	$2 678 866	$2 723 666

5. SETTLEMENT OF A DISPUTE

In June 2001, subsequent to a lawsuit instituted by a third party, the Société was ordered to pay $85 000 plus $60 338 in interest.

SOCIÉTÉ DU PARC INDUSTRIEL ET PORTUAIRE DE BÉCANCOUR

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

6. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net	Net
Land	$28 069		$28 069	$28 069
Buildings, storage areas and parking space	3 347 903	$1 951 229	1 396 674	1 489 956
Harbour facilities	36 980 857	20 726 605	16 254 252	16 541 863
Vehicles and equipment	677 602	583 596	94 006	117 878
Water supply and sewer systems	5 852 885	4 569 970	1 282 915	1 442 198
Industrial water plant and distribution system	11 601 547	7 666 972	3 934 575	4 348 559
Transportation network:				
Roads and streets	9 486 083	7 368 751	2 117 332	2 274 723
Rail network	1 198 204	302 527	895 677	324 937
Office furniture and equipment	270 444	172 561	97 883	116 022
	$69 443 594	$43 342 211	$26 101 383	$26 684 205

7. LONG-TERM DEBT

	2002	2001
Term note from the Financing Fund of the Gouvernement du Québec, effective rate of 5.81%, without terms and conditions for reimbursement for capital, maturing April 2002	$17 986 657	$17 986 657

The term note was refinanced on April 26, 2002. The Société contracted a loan of a face value of $8 000 000 at the current rate of 4.951%, with no capital repayment terms, maturing April 26, 2005 and a loan of a face value of $10 000 000 at the current rate of 6.186%, with no capital repayment terms, maturing October 1, 2012.

8. COMMITMENTS

Partial financing of Bécancour's water supply and sewer systems

Under an agreement with the town of Bécancour, ratified by the Government on April 11, 1973, the Société is authorized to participate in the financing, until 2011, of the water supply and sewer systems servicing the industrial park and part of the town.

The Société is committed to paying the annual debt service on one borrowing by the town of Bécancour. As at March 31, 2002, this commitment was $526 000 (2001: $573 000).

Changes in bonded borrowings related to this commitment during the year are as follows :

Initial issues	As at March 31, 2001	Payments during the year			As at March 31, 2002
		Amount	Interest	Principal	
$672 000	$402 600	$47 874	$20 974	$26 900	$375 700

The interest rates related to this issue vary from 3.25% to 5.40% until June 30, 2002.

9. CASH FLOWS

The additional cash flow information is as follows:

	2002	2001
Changes in assets and liabilities related to operations		
Accounts receivable	$(420 872)	$(18 578)
Selling price balance on a lot		24 325
Spare parts inventory	3 355	9 382
Prepaid expenses	3 828	(8 726)
Land for sale	27 146	(889 013)
Accounts payable and accruals	107 693	21 970
Accrued interest on long-term debt		(1 301)
Deferred revenue	435 176	481
Provision for sick leave	4 783	7 547
	$161 109	$(853 913)
Additional information		
Interest paid on long-term debt	$944 300	$944 300

10. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements, measured at exchange value, the Société is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Société did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

11. FUTURE FRINGE BENEFITS

Pension plan

The staff members of the Société participate in the Government and Public Employees Retirement Plan (RREGOP). This is an interenterprise defined-benefit plan and includes guaranteed payments upon retirement and death.

The Société's contributions charged to the year-end statement amount to $18 190 (2001: $15 171). The Société's liability towards this Government plan is restricted to its contributions as an employer.

Provision for sick leave

	2002	2001
Opening balance	$74 652	$67 105
Charge for the year	19 090	17 267
Benefits paid during the year	(14 307)	(9 720)
Closing balance	$79 435	$74 652

SOCIÉTÉ DU PARC INDUSTRIEL ET PORTUAIRE DE BÉCANCOUR

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

12. FINANCIAL INSTRUMENTS

The fair value of the elements of assets and short-term liabilities is equivalent to the accounting value, given their close maturity dates.

The fair value of the long-term debt is equivalent to the accounting value since it matures soon.

MANAGEMENT'S REPORT

The financial statements of the Société du parc industriel et portuaire de Bécancour were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with generally accepted accounting principles in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Société recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors oversees the manner in which management performs its financial reporting duties, and has approved the financial statements.

The Auditor General of Québec has audited the Société's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the board of directors to discuss any matter related to the audit.

Danielle Hébert, CA
Director of Finance

Jean-Pierre Nepveu
President and Chief Executive Officer

Bécancour, June 12, 2002

SOCIÉTÉ DU PARC INDUSTRIEL ET PORTUAIRE DE BÉCANCOUR

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Société du parc industriel et portuaire de Bécancour as at March 31, 2002 and the statements of revenue and expenditure and equity and cash flows for the year then ended. These financial statements are the responsibility of Société management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Société's financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, June 12, 2002

SOCIÉTÉ DU PARC INDUSTRIEL ET PORTUAIRE QUÉBEC-SUD
(R.S.Q., c. S-16.01)

REVENUE AND EXPENDITURE AND DEFICIT
for the year ended March 31, 2002

	2002	2001
REVENUE		
Gouvernement du Québec subsidy	$50 000	$50 000
Interest on short-term investment	11 374	17 567
	61 374	67 567
OPERATING EXPENSES		
Salaries and fringe benefits	29 277	24 810
Taxes	26 768	27 297
Consulting fees	16 975	4 775
Professional fees	9 717	3 134
Rent	7 008	6 513
Insurance	6 111	6 027
Telecommunications and postal charges	2 695	2 570
Office expenses	1 247	1 393
Upkeep of land	1 720	1 720
Travelling and representation	1 437	802
Bank charges	158	223
Depreciation of fixed assets	661	888
	103 774	80 152
EXCESS EXPENDITURE OVER REVENUE BEFORE THE FOLLOWING ITEM	42 400	12 585
Property write-down		(686 347)
EXCESS EXPENDITURE OVER REVENUE	42 400	698 932
DEFICIT, BEGINNING OF YEAR	2 976 965	2 278 033
DEFICIT, END OF YEAR	$3 019 365	$2 976 965

SOCIÉTÉ DU PARC INDUSTRIEL ET PORTUAIRE QUÉBEC-SUD

BALANCE SHEET
as at March 31, 2002

	2002	2001
ASSETS		
Current assets		
Cash on hand	$212	$8 374
Short-term investment (Note 3)	311 801	340 427
Accounts receivable	743	70
Prepaid expenses	2 123	2 107
	314 879	350 978
Land for sale	1 411 400	1 411 400
Fixed assets (Note 4)	1 602	1 985
	$1 727 881	$1 764 363
LIABILITIES		
Current liabilities		
Accounts payables and accruals	$8 246	$2 328
SHAREHOLDERS' EQUITY		
Capital stock		
Authorized:		
1 000 common shares with a par value of $1		
Issued and paid up:		
1 000 shares	1 000	1 000
Contributed surplus	4 738 000	4 738 000
Deficit	(3 019 365)	(2 976 965)
	1 719 635	1 762 035
	$1 727 881	$1 764 363

On behalf of the Board of Directors,
Luc de la Sablonnière
Jean-Claude Royer

SOCIÉTÉ DU PARC INDUSTRIEL ET PORTUAIRE QUÉBEC-SUD

CASH FLOWS
for the year ended March 31, 2002

	2002	2001
OPERATING ACTIVITIES		
Excess expenditure over revenue	$(42 400)	$(698 932)
Adjustments for:		
Depreciation of fixed assets	661	888
Property write-down		686 347
	(41 739)	(11 697)
Change in off-cash items of the Working Capital Fund		
Accounts receivable	(673)	1 790
Prepaid expenses	(16)	546
Accounts payable and accruals	5 918	(214)
Cash flows used for operating activities	(36 510)	(9 575)
INVESTMENT ACTIVITIES		
Cash flows used for investment activities:		
Acquisition of fixed assets	(278)	
DECREASE IN CASH AND CASH EQUIVALENTS	(36 788)	(9 575)
CASH AND CASH-EQUIVALENT, BEGINNING OF YEAR	348 801	358 376
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 5)	$312 013	$348 801

SOCIÉTÉ DU PARC INDUSTRIEL ET PORTUAIRE QUÉBEC-SUD

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

The Société du parc industriel et portuaire Québec-Sud was established under a special act (R.S.Q., c. S-16.01) to:

- further the development of an industrial park with harbour facilities, located in the territory of the city of Lévis, for major industrial projects;
- manage the above industrial park and harbour facilities; and
- acquire, sell or exchange parcels of land situated at Pointe-de-la-Martinière in the territory of the City of Lévis.

Under the legislation establishing it, the Société is not subject to income tax.

2. ACCOUNTING POLICIES

The Société's financial statements were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Land for sale

Land is recorded at the lesser of cost and net realizable value.

Fixed assets

Fixed assets are recorded at cost and depreciated on a diminishing-balance basis at the following rates:

Office furniture and equipment	35%
Data processing equipment	30%

Contributed surplus

All sums received from the federal and provincial governments since February 1, 1982 under the Canada-Québec subsidiary agreement on the acquisition and development of industrial land at Pointe-de-la-Martinière and the financial participation of the Société in industrial projects are recorded as contributed surplus.

Pension plan

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the Société lacks sufficient information to apply the accounting procedure for defined-benefit plans.

Cash and cash equivalents

The Société's policy consists in presenting under cash and cash equivalents bank balances and short-term investments that are easy to convert in the short term into a known amount whose value is not expected to change significantly.

3. SHORT-TERM INVESTMENT

	2002	2001
Corporate liquid assets funds at cost	$311 801	$340 427

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

4. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net value	Net value
Office furniture and equipment	$18 858	$18 410	$448	$336
Data processing equipment	2 450	1 296	1 154	1 649
	$21 308	$19 706	$1 602	$1 985

5. CASH AND CASH EQUIVALENTS

	2002	2001
Cash on hand	$212	$8 374
Short-term investment	311 801	340 427
	$312 013	$348 801

6. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements, the Société is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Société did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

7. PENSION PLAN

The sole employee of the Société participates in the Government and Public Employees Retirement Plan (RREGOP). This is an interenterprise defined-benefit plan and includes guaranteed payments upon retirement and death.

The Société's contributions charged to the year-end statement amount to $795 (2001: $574). The Société's liability towards this Government plan is restricted to its contributions as an employer.

SOCIÉTÉ DU PARC INDUSTRIEL ET PORTUAIRE QUÉBEC-SUD

AUDITOR'S REPORT

To the Shareholders

I have audited the balance sheet of the Société du parc industriel et portuaire Québec-Sud as at March 31, 2002 and the statements of revenue and expenditure and deficit and cash flows for the year then ended. These financial statements are the responsibility of Société management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Société's financial position as at March 31, 2002 and the results of its operations and its cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, June 21, 2002

SOCIÉTÉ GÉNÉRALE DE FINANCEMENT DU QUÉBEC
(R.S.Q., c. S-17)

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS
for the year ended December 31, 2001
(in thousands of dollars)

	2001	2000
REVENUE (Note 3)	879 031	802 419
OPERATING EXPENSES		
Cost of goods sold and services	721 336	651 681
Selling, general and administrative expenses	106 849	84 063
Amotization and depletion	57 601	52 659
	885 786	788 403
OPERATING INCOME (LOSS), excluding corporate expenses	(6 755)	14 016
INVESTMENT INCOME (LOSS)		
Share of earnings in significantly influenced companies	16 622	50 253
Net gain on disposal of joint ventures and long-term investments	7 188	30 979
Net unrealized loss on venture capital investments	(53 521)	(2 227)
Provision for loss on other long-term investments	(15 953)	(21 154)
Dividend income and interest on long-term investments	6 852	15 688
	(38 812)	73 539
EARNINGS (LOSS) BEFORE THE FOLLOWING ITEMS	(45 567)	87 555
Financial expenses (Note 4)	13 160	17 374
Other expenses (Note 5)	25 308	21 220
NET EARNINGS (LOSS) FOR THE YEAR (Note 3)	(84 035)	48 961
RETAINED EARNINGS – BEGINNING OF YEAR	451 392	402 431
RETAINED EARNINGS – END OF YEAR	367 357	451 392

SOCIÉTÉ GÉNÉRALE DE FINANCEMENT DU QUÉBEC

CONSOLIDATED BALANCE SHEET
as at December 31, 2001
(in thousands of dollars)

	2001	2000
ASSETS		
Current assets		
Cash and cash equivalents	83 505	44 175
Temporary investments	22 525	7 611
Accounts receivable	175 146	146 089
Inventories (Note 6)	151 726	126 500
Prepaid expenses	6 204	4 830
Current portion of long-term investments	7 812	6 746
	446 918	335 951
Long-term investments (Note 7)	1 231 212	886 382
Property, plant and equipment (Note 8)	1 172 264	905 320
Other assets (Note 9)	163 641	145 036
	3 014 035	2 272 689
LIABILITIES		
Current liabilities		
Bank loans	23 191	25 917
Accounts payable and accrued liabilities	184 697	148 887
Current portion of long-term debt	77 655	32 500
	285 543	207 304
Long-term debt (Note 10)	328 162	291 975
Other long-term liabilities (Note 11)	55 480	45 584
	669 185	544 863
SHAREHOLDER'S EQUITY		
Capital stock (Note 12)	1 973 340	1 273 340
Retained earnings	367 357	451 392
Foreign currency translation adjustments	4 153	3 094
	2 344 850	1 727 826
	3 014 035	2 272 689

Approved by the Board of Directors,
Francine Allaire, Director
Claude Lamonde, Director

SOCIÉTÉ GÉNÉRALE DE FINANCEMENT DU QUÉBEC

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended December 31, 2001
(in thousands of dollars)

	2001	2000
CASH FLOWS FROM		
OPERATING ACTIVITIES		
Net earnings (loss) for the year	(84 035)	48 961
Adjustments for		
Amortization and depletion	57 601	52 659
Share of earnings in significantly influenced companies	(16 622)	(50 253)
Net gain on disposal of joint ventures and long-term investments	(7 188)	(30 979)
Provision for loss on long-term investments	69 474	23 381
Amortization of unrealized exchange loss	4 946	2 366
Loss on write-down and disposal of property, plant and equipment and other assets	10 967	6 230
Non-controlling interests	(1 057)	
Dividends received from significantly influenced companies	8 810	9 489
Capitalized interest on long-term investments	(2 558)	(3 696)
Employee future benefits	778	1 379
	41 116	59 537
Net change in non-cash working capital balances (Note 13a))	(4 651)	(25 948)
	36 465	33 589
INVESTING ACTIVITIES		
Temporary investments	(14 914)	58 528
Acquisitions of joint ventures and long-term investments (Notes 3 and 14)	(496 785)	(167 270)
Disposal of joint ventures and long-term investments (Notes 13c) and 15)	36 700	52 034
Additions to property, plant and equipment (Notes 3 and 13b))	(232 953)	(271 996)
Disposal of property, plant and equipment	1 622	624
Other investing activities	(27 287)	(39 982)
	(733 617)	(368 062)
FINANCING ACTIVITIES		
Bank loans	(6 766)	9 670
Increase of long-term debt	85 059	95 847
Repayment of long-term debt	(36 382)	(29 117)
Payment of share subscriptions	(5 429)	
Issuance of shares	700 000	200 000
	736 482	276 400
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	39 330	(58 073)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	44 175	102 248
CASH AND CASH EQUIVALENTS – END OF YEAR	83 505	44 175
Cash and cash equivalents are comprised of:		
Cash on hand and bank balances	30 886	21 520
Short-term liquid investments	55 938	25 269
Bank overdrafts	(3 319)	(2 614)
	83 505	44 175
Supplemental disclosure		
Interest paid	17 706	14 659

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2001
(in thousands of dollars)

1. STATUS AND NATURE OF ACTIVITIES

The company was created in 1962 under the "Loi sur la Société générale de financement du Québec", which was amended in 1996. The Government of Québec is the shareholder. The purpose of the company is to carry out, in collaboration with partners and in accordance with accepted requirements of profitability, economic development projects in the industrial sector in conformity with the economic development policies of the Government of Québec. It has established a presence notably in the agri-food, chemicals, petrochemicals, plastics and energy, high technology, industrial logistics, machinery, transportation material, metals and minerals, forest products, recreational tourism and health industries.

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation principles

These consolidated financial statements include the accounts of the Société générale de financement du Québec, its subsidiaries and joint ventures. The accounts of the subsidiaries are accounted for under the full consolidation method which consists in incorporating the financial statements of the subsidiary into the financial statements of the company on a line-by-line basis. The accounts of the company's joint ventures are accounted for using the proportionate consolidation method which involves recording the company's share of assets, liabilities and earnings of the joint venture. The earnings of subsidiaries and joint ventures are included in the consolidated financial statements as of their respective dates of acquisition and until their respective dates of disposition, if applicable.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Those estimates are reviewed periodically and, as adjustments become necessary, are reported in earnings in the period in which they are known.

Fair market value of financial instruments

The company has estimated the fair value of its financial instruments based on current interest rates, related market values and current pricing of financial instruments with comparable terms. The carrying value of these financial instruments, such as cash and cash equivalents, temporary investments, accounts receivable, bank loans, and accounts payable and accrued liabilities, approximates their fair value.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances, short-term liquid investments with maturities of three months or less and bank overdrafts.

Temporary investments

The temporary investments consist primarily of commercial papers and bankers' acceptances with maturities exceeding three months and are recorded at the lower of cost and market value.

Inventories

Inventories are valued at the lower of cost and market value. Cost is determined by using the average cost method and the first-in, first-out method, and market value is defined as replacement cost or net realizable value.

Long-term investments

The investments in which the company can exercise significant influence and which are not considered venture capital investments are recorded using the equity method. This involves recording the company's share of the earnings of a significantly influenced company since the date of acquisition.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Long-term investments (cont'd)

The investments in which the company does not exercise any control or significant influence are recorded at cost.

The investments in the form of purchased mining royalties are recorded at cost and are amortized on the basis of the units subject to royalties.

If a permanent decline in value occurs, the company's policy is to write down the investment to its estimated net realizable value.

Speculative investments in companies for the purpose of supporting their development are considered venture capital investments and are recorded at their fair value which is determined by the company's management as follows:

- Listed shares are recorded based on the quote market price. When this value does not adequately represent the fair value, such investments are evaluated using the same valuation method as for unlisted shares. Shares with quoted values but which have restricted negotiability or transferability are discounted. In determining the amount of this discount, the company takes into account the nature and duration of the restriction and the relative instability of the security price.

- Unlisted shares are recorded at cost, with the exception of cases where different values are established as a result of an independent valuation (performed in accordance with generally recognized valuation techniques), a significant arm's-length transaction, or an important change in the company's business.

Property, plant and equipment

Property, plant and equipment are recorded at cost and include interest and administrative expenses incurred during the construction of certain plants. Amortization is calculated mainly using the straight-line method based on the following estimated useful lives:

Building	10 to 40 years
Machinery and equipment	3 to 25 years
Other	3 to 10 years

No amortization is recorded on construction in progress.

Mining properties

Mining properties include the costs pertaining to the exploration and development of the mineral sites. However, these cumulative costs do not necessarily represent the current or future value of the projects for which they were incurred and exclude the administrative costs associated with the development and exploration work, which are recorded on the income statement.

When a decision is made to commence operations, all costs pertaining to the mining properties are transferred to property, plant and equipment. However, when a project is abandoned, all costs relating thereto are written off during the year the abandonment occurred.

Goodwill

Goodwill arising from business combinations initiated on or after July 1, 2001, is not amortized in accordance with the transitional provisions of the new recommendation of the Canadian Institute of Chartered Accountants dealing with business combinations. Goodwill previously recorded is amortized on a straight-line basis over periods varying primarily from 5 to 20 years. The company assesses periodically whether a provision for permanent impairment in the value of goodwill should be recorded to earnings. This is accomplished mainly by determining whether projected undiscounted future cash flows exceed the next book value of goodwill.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Operating licenses

The cost of operating licenses is capitalized and amortized over 15 years upon commencement of operations.

Start-up costs

Start-up costs include certain financial and other costs incurred during the start-up phase of certain plants. These costs are amortized using the straight-line method over a period of 3 to 5 years.

Foreign currency

Monetary assets and liabilities resulting from foreign currency transactions are translated into Canadian dollars using the year-end exchange rates. Non-monetary assets and liabilities are translated at historical exchange rates, except for those of self-sustaining foreign joint ventures which are translated at the rate prevailing at the end of the year. Revenue and expenses are translated throughout the year at the exchange rates prevailing on the transaction dates. Exchange gains or losses are included in the calculation of the results for the year, with the exception of those resulting from the translation of long-term debt which is recorded as an unrealized gain or loss and amortized on a straight-line basis over the remaining life of the long-term debt.

The "Foreign currency translation adjustments" item in shareholder's equity primarily includes the exchange gains or losses arising from the translation of the investment in self-sustaining foreign joint ventures.

Employee future benefits

The cost of pension benefits and other retirement benefits provided in exchange for services rendered during the year is calculated using the projected benefit method prorated on years of service, and is based on management's best estimate of economic and demographic assumptions.

Past service costs arising from a plan amendment are amortized over the average remaining service period of active employees at the date of the plan amendment. The company amortizes the portion of actuarial gains and losses exceeding 10% of the greater of the accrued benefit obligation or the fair value of plan assets over the average remaining service period of active employees covered by the plans.

Financial instruments

The company uses derivative instruments to reduce the risks associated with fluctuations in foreign currency exchange rates, interest rates and aluminium prices.

Unrealized gains and losses on derivative instruments, except those used as hedges, are recognized in income in the current period. Unrealized gains and losses on derivative instruments which serve to hedge certain future identifiable risks are accounted for in the income statement along with the underlying items being hedged.

Tax status

As it is government owned, neither the company nor its wholly owned subsidiaries are subject to income taxes.

3. SEGMENTED INFORMATION IN SUMMARY FORM

The company has operating activities in 10 sectors. As at December 31, 2001, most investments were in the following sectors: forest products, metals and minerals, chemicals, petrochemicals, plastics and energy, agri-food, high technology and health. The other sectors have been grouped under Sectors in development.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

3. SEGMENTED INFORMATION IN SUMMARY FORM (cont'd)

		Revenue	Net earnings (loss)	Segment assets	Additions to property, plant and equipment	Acquisitions of joint ventures and long-term investments
Forest products	2001	100 345	26 723	777 577	18 291	177 073
	2000	33 607	56 163	654 092	51 070	16 103
Metals and minerals	2001	279 251	12 390	798 571	43 068	66 491
	2000	275 467	29 070	674 186	89 109	36 990
Chemicals, petrochemicals, plastics and energy	2001	323 379	(24 104)	611 752	117 057	11 246
	2000	341 272	(8 871)	449 915	97 026	5 118
Agri-food	2001	123 912	2 753	259 248	2 212	55 544
	2000	113 952	4 238	209 682	3 334	19 536
High technology	2001	5 278	(57 784)	241 573	40 804	93 381
	2000	3 908	(2 095)	148 503	17 537	32 000
Health	2001	32 055	(15 504)	187 016	7 375	49 761
	2000	19 163	(11 738)	134 901	3 471	46 005
Sectors in development	2001	14 811	(17 831)	117 444	1 722	43 289
	2000	15 050	(2 812)	81 190	9 180	11 518
Segment total	2001	879 031	(73 357)	2 993 181	230 529	496 785
	2000	802 419	63 955	2 352 469	270 727	167 270
Corporate activities	2001		(10 678)	20 854	2 424	
	2000		(14 994)	13 450	1 269	
Eliminations	2001					
	2000			(93 230)		
Consolidated total	2001	879 031	(84 035)	3 014 035	232 953	496 785
	2000	802 419	48 961	2 272 689	271 996	167 270

4. FINANCIAL EXPENSES

	2001	2000
Interest on long-term debt	14 146	14 045
Amortization of unrealized exchange loss	4 946	2 366
Reimbursement of financial assistance		6 375
Other financial expenses	2 624	1 632
	21 716	24 418
Interest income on cash and cash equivalents and temporary investments	(8 556)	(7 044)
	13 160	17 374

5. OTHER EXPENSES

	2001	2000
Corporate expenses	21 192	17 910
Loss on write-down and disposal of property, plant and equipment and other assets	10 967	6 230
Income taxes	3 227	165
Settlement of a provision for discontinued operations	(7 937)	
Non-controlling interest	(1 057)	
Gain on sale of alumina contracts		(2 234)
Other	(1 084)	(851)
	25 308	21 220

6. INVENTORIES

	2001	2000
Raw materials and supplies	77 644	70 847
Work in process	29 409	22 043
Finished goods	44 673	33 610
	151 726	126 500

7. LONG-TERM INVESTMENTS

	2001		2000	
	Book value	Market value	Book value	Market value
Significantly influenced companies using equity method				
Domtar Inc.	476 978	709 891	363 412	492 414
Groupe ADF inc.	43 319	70 500		
NSI Global Inc.	20 705	25 339	8 102	24 886
Private companies	250 816		104 697	
	791 818		476 211	
Venture capital, at fair value (Note 7 a))	214 015		188 216	
Amounts carried forward	1 005 833		664 427	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

7. LONG-TERM INVESTMENTS (cont'd)

	2001		2000	
	Book value	Market value	Book value	Market value
Amounts brought forward	1 005 833		664 427	
At cost				
Saputo Inc.	99 995	142 671	99 995	90 734
Theratechnologies Inc.	13 820	28 386	13 820	28 856
Tembec Inc.				
Preferred shares	9 104		9 104	
7% Debentures	25 000		30 000	
8 X 8 inc. (formerly Netergy Networks inc.)	8 462	2 000	8 462	3 962
Shyepharma PLC (Note 13 c))	9 133	10 015		
Mining royalties (Note 7 b))	28 577		26 892	
Loans and debentures				
Interest bearing	23 394		22 464	
Non-interest bearing	3 427		4 962	
Other (Note 7 c))	12 279		13 002	
	233 191		228 701	
	1 239 024		893 128	
Less: Current portion	7 812		6 746	
	1 231 212		886 382	

a) As at December 31, 2001, the cost of venture capital investments is $277 896 000 (2000: $202 563 000).

b) The mining royalties, having an original cost of $27 000 000, entitle the company to revenues based on number of units produced.

c) The fair value of other investments accounted for at cost is approximately equal to the book value.

8. PROPERTY, PLANT AND EQUIPMENT

	2001			2000
	Cost	Accumulated amortization and depletion	Net	Net
Forest products	170 866	31 868	138 998	91 150
Metals and minerals	621 492	158 879	462 613	446 010
Chemicals, petrochemicals, plastics and energy	633 475	197 330	436 145	285 764
Agri-food	19 920	9 006	10 914	10 784
High technology	73 361	1 876	71 485	25 792
Health	35 700	6 383	29 317	24 670
Sectors in development	18 930	3 385	15 545	14 671
Other	16 332	9 085	7 247	6 479
	1 590 076	417 812	1 172 264	905 320

Property, plant and equipment include construction in progress amounting to $494 236 000 as at December 31, 2001 (2000: $370 181 000).

9. OTHER ASSETS

	2001	2000
Mining properties	42 079	41 032
Operating licenses	35 158	25 148
Start-up costs	31 889	23 112
Goodwill	28 300	31 710
Accrued benefit asset (Note 19)	6 643	6 576
Land held for development project	5 624	5 624
Unrealized exchange loss	5 613	3 815
Other	8 335	8 019
	163 641	145 036

10. LONG-TERM DEBT

	2001	2000
Revolving bank loan at prime rate or LIBOR plus 0.35% to 0.55%, maturing in 2003 (Note 10 e))	79 630	74 975
Revolving bank loan, unsecured, bearing interest at prime rate or discount rate for bankers' acceptance or LIBOR plus 0.35% to 0.70%, maturing in 2006	50 000	33 800
Revolving term facility, unsecured, at LIBOR plus 0.4%, maturing in 2002	23 969	24 552
Revolving credit facility at base rate, maturing in 2002 (Note 10 c))	10 583	11 700
Bank loan, bearing interest at rates varying from LIBOR plus 0.625% to 2% or U.S. base rate plus 1.5%, payable in variable semi-annual instalments with a final instalment on June 30, 2003 (Note 10 a))	25 453	30 126
Bank loan at prime rate plus 0.5% or discount rate for bankers' acceptance plus 1.25%, payable in semi-annual instalments, maturing in 2003 (Note 10 b))	8 570	16 500
Bank loan at prime rate plus 1.25%, payable in quarterly instalments, maturing in 2006 (Note 10 b))	16 750	11 581
Construction loan, convertible to revolving term facility, at discount rate for bankers' acceptance plus 0.45%, maturing in 2007 (Note 10 b) and d))	11 940	12 272
Construction loan, convertible to term loan, at 8.189%, payable in monthly instalments beginning in 2003 (Note 10 b))	14 440	9 577
Amounts carried forward	241 335	225 083

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousands of dollars)

10. LONG-TERM DEBT (cont'd)

	2001	2000
Amounts brought forward	241 335	225 083
Term loan at prime rate plus 1%, payable in monthly instalments beginning in 2000 (Note 10 b))	9 165	
Bank loan at prime plus 0.75%, payable in variable instalments, maturing in 2006 (Note 10 a))	9 250	
Subordinate debenture with a face value of $12 500 000, secured and non-interest bearing, maturing in 2011	10 309	
Term loan at average rate of 4.07%, payable in quarterly instalments beginning in 2003, maturing in 2006 (Note 10 c))	5 472	
Loan from a partner		
At 3.608%, maturing in 2003 (NLG13 600 000)	8 773	8 588
Without interest or specific terms of repayment	2 948	4 213
Non-interest bearing, maturing in 2002	11 139	
At 5%, maturing in 2006	4 900	
Interest-free amount due to Investissement Québec, repayable no later than October 31, 2017	9 000	9 000
Loans of joint ventures sold in 2001		12 461
Other	93 526	65 130
	405 817	324 475
Less: Current portion	77 655	32 500
	328 162	291 975

a) A fixed and floating charge on all present and future assets of joint ventures as well as a general assignment of accounts receivable and inventories with a book value of $100 294 000 as at December 31, 2001, have been pledged as security for these loans.

b) Hypothecs on the universality of assets of joint ventures with a book value of $149 010 000 as at December 31, 2001, have been pledged as security for these loans.

c) A pledge of inventories and a hypothec on accounts receivable with a book value of $19 665 000 have been granted as security for these loans.

d) A joint venture has entered into interest rate swap agreements regarding the construction loan for a total amount of $10 080 000 at fixed rates of 5.45% and 5.95%, maturing from June 2002 to June 2006 inclusive.

e) This loan can be renewed for two twelve-month period at the option of the company.

f) The long-term debt denominated in U.S. dollars amounts to US$94 620 000 as at December 31, 2001 (2000 – US$89 619 000).

10. LONG-TERM DEBT (cont'd)

g) Principal repayments due within each of the next five years are as follows:

2002	77 655
2003	140 714
2004	26 576
2005	34 889
2006	61 189

h) The fair value of the long-term debt based on discounted cash flows at market rates amounts to approximately $391 102 000 as at December 31, 2001.

11. OTHER LONG-TERM LIABILITIES

	2001	2000
Share subscriptions	33 071	29 500
Accrued benefit liability (Note 19)	13 819	11 790
Non-controlling interest	1 243	
Other	7 347	4 294
	55 480	45 584

12. CAPITAL STOCK

	2001	2000
Authorized – par value of $10		
292 500 000 common shares		
Issued		
197 334 018 common shares (2000: 127 334 018)	1 973 340	1 273 340

In 2001, the company issued 70 000 000 common shares for a cash consideration of $700 000 000.

The company can request the shareholder to subscribe and pay for an additional 95 165 982 common shares representing an amount of $951 660 000 based on the company's financial needs as provided for in its annual operational plan and consistent with its five-year development plan.

13. SUPPLEMENTARY CASH FLOW INFORMATION

a) The changes in non-cash working capital balances are as follows:

	2001	2000
Increase in		
Accounts receivable	(1 676)	(16 726)
Inventories	(14 120)	(12 294)
Prepaid expenses	(944)	(1 296)
Increase in		
Accounts payable and accrued liabilities	12 089	4 368
	(4 651)	(25 948)

13. SUPPLEMENTARY CASH FLOW INFORMATION (cont'd)

b) In addition to the acquisitions of property, plant and equipment disclosed in the consolidated statement of cash flows, the company acquired during the year property, plant and equipment amounting to $20 993 000 of which $16 423 000 was financed by the accounts payable and $4 570 000 by a long-term debt.

c) During the year, the company disposed of a venture capital investment for a total consideration of $9 133 000 in shares of a publicly held corporation, Skyepharma PLC, resulting in a gain of $1 090 000.

14. ACQUISITIONS OF JOINT VENTURES AND LONG-TERM INVESTMENTS

	2001	2000
Joint ventures		
Main acquisitions of the year (Note 14 a) and b))	71 464	17 188
Other	6 106	
Significantly influenced companies		
Main acquisitions of the year (Note 14 a))	243 198	27 500
Other	74 238	12 985
Venture capital investments		
Celmed BioSciences inc.	30 000	
The Fox Group inc.	18 271	
Elyps solutions de répartition inc.	8 800	17 500
UltraVision Corporation	8 300	7 285
CryoCath Technologies inc.		14 500
Other	13 319	15 879
Investments, at cost		
Mining royalties		27 000
Other	23 089	27 433
	496 785	167 270

a) In 2001, the company acquired joint ventures and significantly influenced companies and reinvested in significantly influenced companies. The cost of the main acquisitions, net of cash and cash equivalents acquired, is presented in the following table:

	% Acquired	Cost of acquisition
Joint ventures		
Temlam inc.	50.00	34 944
Kruger Wayagamack Inc.	49.00	29 266
Le Groupe Lavergne inc.	43.70	7 254
		71 464
Significantly influenced companies		
Domtar Inc. (participation in a new issuance)		91 520
Groupe ADF inc.	17.56	40 000
Olymel, LP	17.00	50 013
NSI Global inc. (participation in a new issuance)		20 000
Rona Inc.	9.63 [1]	41 665
		243 198

[1] The significant influence in this case results from additional rights granted to the company, jointly with other shareholders, and in accordance with the shareholders' agreement.

14. ACQUISITIONS OF JOINT VENTURES AND LONG-TERM INVESTMENTS (cont'd)

b) The acquisitions of joint ventures in the year have been accounted for by the purchase method. The company's share of the operating results of these companies has been included in the consolidated statement of earnings from the acquisition date. Net assets acquired, excluding cash and cash equivalents, relating to the main acquisitions, are as follows:

Current assets	26 983
Property, plant and equipment	63 254
Goodwill	5 098
Other assets	3 325
	98 660
Current liabilities	11 059
Long-term debt	16 137
	27 196
Acquisition cost net of cash and cash equivalents acquired	71 464

15. DISPOSAL OF JOINT VENTURES AND LONG-TERM INVESTMENTS

	2001	2000
Joint ventures (Note 15 a))	18 263	31 200
Significantly influenced company	170	
Venture capital investments	699	3 271
Investments, at cost	17 568	17 563
	36 700	52 034

a) In 2001, the company disposed of its investment in a joint venture, Concert Airlaid Ltd. The net assets disposed, excluding cash and cash equivalents, are as follows:

	2001
Current asset	1 918
Property, plant and equipment	41 517
	43 435
Current liabilities	7 212
Long-term debt	21 516
	28 728
Net asset disposed	14 707
Gain on disposal	3 044
Proceeds on disposal, net of disposed cash and cash equivalents	17 751
Proceeds on disposal of other joint ventures	512
Total proceeds on disposal	18 263

16. FINANCIAL INSTRUMENTS

Financial instruments, in addition to those pertaining to long-term debt (Note 10), which represent an off-balance sheet risk are described hereunder.

Foreign currency

To reduce the impact of fluctuations in exchange rates on U.S. dollar revenue and purchases of property, plant and equipment and repayment of long-term debt denominated in foreign currency, the company used a combination of forward exchange contracts, options and currency swaps. As at December 31, 2001, the amounts relating to these financial instruments on the U.S. dollar, the Norwegian krone, the euro and the Swedish krona amounted to US$123 500 000, NOK4 203 000, €4 016 000 and SEK8 590 000 respectively. These instruments, maturing from January 2002 to December 2003, had unrealized losses amounting to $1 425 000 as at December 31, 2001.

Credit risk

The above-mentioned contracts are offset by changes in the value of the underlying items being hedged. The company may be exposed to losses if the counterparties to the above contracts fail to perform. On December 31, 2001, the company is satisfied that the risk of such non-performance is remote.

The company invests its temporary investments according to established policies in securities of major financial institutions with a high credit rating. The company is subject to economic conditions affecting the industries in which it operates. The company continually monitors its clients' credit and establishes the provision for doubtful accounts based on the credit risk evaluated for each client. Management believes that there is no significant credit risk as at December 31, 2001.

17. JOINT VENTURES

Joint ventures of the company are accounted for using the proportionate consolidation method. The major components of the joint ventures included in these consolidated financial statements are:

	2001	2000
Consolidated statement of earnings		
Revenue	619 666	538 125
Operating income (loss)	(11 399)	7 609
Net earnings (loss)	(37 314)	1 596
Consolidated balance sheet		
Current assets	265 474	198 857
Long-term assets	817 670	574 231
Current liabilities	215 872	135 651
Long-term liabilities	180 574	174 276
Consolidated statement of cash flows		
Operating activities	784	10 784
Investing activities	(204 156)	(222 463)
Financing activities	25 053	29 364

18. COMMITMENTS

a) Long-term leases and commitments

The company is committed under long-term leases and contracts to make minimum payments totalling $42 021 000 during the next five years as follows:

2002	10 926
2003	9 444
2004	8 238
2005	7 426
2006	5 987

In addition, the company is committed to the acquisition of property, plant and equipment and purchases of services and raw materials totalling $134 000 000 during the next years. As at December 31, 2001, the company had also committed to subscribe to long-term investments for an amount of $56 000 000, in addition to those included in the other long-term liabilities in Note 11.

b) Credit facility

At December 31, 2001, the company has available committed lines of credit amounting to $473 000 000, which can be used for short-term or long-term financing and bear interest at prime rate or at the money market rate.

19. EMPLOYEE FUTURE BENEFITS

The company has various contributory and non-contributory defined benefit pension plans for its employees which are based on years of service and the average final earnings of the related employees. In addition, the company offers employees other post-retirement and post-employment benefits consisting mainly of group insurance plans which are not funded.

a) The following table presents information relating to the various plans of the company, as at December 31, as established by independent actuaries:

	2001			2000
	Pension plans	Other plans	Total	Total
Accrued benefit obligation	61 199	10 047	71 246	50 005
Plan assets at fair value	43 501		43 501	39 906
Deficit – End of year	(17 698)	(10 047)	(27 745)	(10 099)
Accrued benefit asset	6 643		6 643	6 576
Accrued benefit liability	(4 449)	(9 370)	(13 819)	(11 790)
Net recorded amount	2 194	(9 370)	(7 176)	(5 214)
Benefit cost	2 791	928	3 719	3 180
Employer contributions	2 377	136	2 513	2 319
Employee contributions	1 179		1 179	1 207
Benefits paid	3 418	2 739	6 157	4 348

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
December 31, 2001
(in thousand of dollars)

19. EMPLOYEE FUTURE BENEFITS (cont'd)

b) The weighted average actuarial assumptions used by the company as at December 31, 2001 are as follows:

	Pension plans %	Other plans %
Discount rate	7.0	7.0
Long-term rate of return on plan assets	8.0	
Salary escalation rate	3.5	3.5

For measurement purposes, an annual weighted average rate of increase in the per capita cost of covered health care benefits of 8.9% was assumed for 2002. The rate was assumed to decrease gradually to reach approximately 5% in 2006 and remain at that level thereafter.

20. SUBSEQUENT EVENT

In February 2002, the company reached and agreement of principle with Alcan regarding the sale of all of the outstanding shares of Albecour inc., which in turn holds an undivided interest of 20% in Aluminerie Alouette. This transaction will take place for a cash consideration of approximately $264 000 000.

21. COMPARATIVE FIGURES

Certain comparative figures for the year ended December 31, 2000, have been reclassified to conform with the 2001 financial statement presentation.

SOCIÉTÉ GÉNÉRALE DE FINANCEMENT DU QUÉBEC

MANAGEMENT'S REPORT

To the Shareholder of
Société générale de financement du Québec

In the discharge of its duties, the Board of Directors of Société générale de financement du Québec has delegated to its officers the preparation of its consolidated financial statements.

The consolidated financial statements for 2001 have been audited by an independent firm of auditors, PricewaterhouseCoopers LLP, before their presentation to the Board of Directors, which has approved them upon recommendation of the duly constituted and appointed Audit Committee.

The management believes that these statements have been prepared in accordance with generally accepted accounting principles. They take into consideration, within reasonable limits, all significant accounting policies referred to in the notes to the consolidated financial statements.

The information contained in this annual report is consistent with the consolidated financial statements included herein.

Claude Blanchet
Chairman of the Board,
President and Chief Executive Officer

Dino Fuoco
Senior Vice-President and
Chief Financial Officer

May 10, 2002

AUDITORS' REPORT

To the Ministre de l'Industrie et du Commerce

We have audited the consolidated balance sheet of Société générale de financement du Québec as at December 31, 2001, and the consolidated statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Loi sur le Vérificateur général (L.R.Q., c. V-5.01), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

PricewaterhouseCoopers, LLP
Chartered Accountants

March 8, 2002

SOCIÉTÉ IMMOBILIÈRE DU QUÉBEC
(R.S.Q., c. S-17.1)

INCOME
for the year ended March 31, 2002
(in thousands of dollars)

	2002	2001
REVENUE		
Rentals		
Government departments and agencies customers (Note 12)	447 459	437 082
Other customers	34 462	32 418
Leasehold improvements and other services offered to customers	72 078	88 964
Leasing of dams	3 105	2 297
Other	349	533
	557 453	561 294
EXPENDITURE		
Rent and business taxes on leased property	179 715	171 409
Preservation and operating expenses for immovables (Note 13)	95 342	92 760
Financial expenses – net (Note 14)	67 639	69 981
Real estate and business taxes on immovables	62 673	64 957
Leasehold improvements and other services offered to customers	64 704	82 752
Depreciation (Note 15)	24 614	24 395
Relocation expenses (Note 16)	5 265	3 459
Wages, other direct costs and general and administrative expenses posted to operations (Note 17)	27 457	27 314
General and administrative expenses – net (Note 17)	7 933	12 238
Expenses related to dams	2 850	2 230
	538 192	551 495
INCOME BEFORE OTHER ITEMS	19 261	9 799
Other items:		
Gain on disposal of fixed assets	239	197
Additional charges for sick leave (Note 18)		(3 001)
	239	(2 804)
NET INCOME	19 500	6 995

RETAINED EARNINGS
for the year ended March 31, 2002
(in thousands of dollars)

	2002	2001
OPENING BALANCE	13 061	6 066
Net income	19 500	6 995
CLOSING BALANCE	32 561	13 061

SOCIÉTÉ IMMOBILIÈRE DU QUÉBEC

BALANCE SHEET
as at March 31, 2002
(in thousands of dollars)

	2002	2001
ASSETS		
Immovables and dams (Notes 3 and 5)	1 393 572	1 340 087
Expansion of Palais des Congrès de Montréal (Notes 4 and 5)	188 120	67 733
Equipment	5 698	5 023
Accounts receivable (Note 6)	37 805	44 574
Other assets – net (Note 7)	30 052	31 697
	1 655 247	1 489 114
LIABILITIES		
Long-term debt (Note 8)	945 746	957 522
Short-term borrowings (Note 9)	463 463	314 419
Accounts payable and accruals (Note 10)	120 767	114 342
Outstanding cheques less cash on hand	5 043	2 103
	1 535 019	1 388 386
SHAREHOLDER'S EQUITY		
Capital stock (Note 11)	80 001	80 001
Gouvernement du Québec contribution	7 666	7 666
Retained earnings	32 561	13 061
	120 228	100 728
	1 655 247	1 489 114

COMMITMENTS (Note 22)
CONTINGENCIES (Note 23)

On behalf of the Board of Directors,
Jean-P. Vézina, President and Chief Executive Officer
André Harel, Administrator

SOCIÉTÉ IMMOBILIÈRE DU QUÉBEC

CASH FLOWS
for the year ended March 31, 2002
(in thousands of dollars)

	2002	2001
OPERATING ACTIVITIES		
Accounts receivable– clients	555 185	564 552
Accounts payable– suppliers and staff members	(389 767)	(371 305)
Interest earned	1 101	1 284
Interest paid	(76 865)	(81 269)
Cash flows related to operating activities	89 654	113 262
INVESTMENT ACTIVITIES		
Acquisitions of immovables and dams	(116 902)	(144 313)
Expansion of Palais des Congrès de Montréal	(121 689)	(59 539)
Acquisitions of equipment	(1 617)	(1 613)
Acquisitions of other net assets	216	(9 273)
Proceeds from disposal of immovables	9 444	1 777
Cash flows related to investment activities	(230 548)	(212 961)
FINANCING ACTIVITIES		
Royalty paid to Gouvernement du Québec departments and agencies		(12 000)
Proceeds from long-term borrowings	178 458	229 300
Proceeds from short-term net borrowings	149 044	(19 491)
Reimbursement of debt under capital lease contracts	(312)	(277)
Reimbursement of long-term debt	(189 236)	(95 194)
Cash flows related to financing activities	137 954	102 338
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2 940)	2 639
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(2 103)	(4 742)
CASH AND CASH EQUIVALENTS, END OF YEAR	(5 043)	(2 103)

Cash and cash equivalents include outstanding cheques less cash on hand.

SOCIÉTÉ IMMOBILIÈRE DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS
March 31, 2002
(in thousands of dollars)

1. CONSTITUTION AND PURPOSE

The Société immobilière du Québec is a joint stock company established by the Act respecting the Société immobilière du Québec (R.S.Q., c. S-17.1). Its purpose is to make buildings and property available to government departments and agencies, for a consideration, and provide them with construction, operating and management services.

2. ACCOUNTING POLICIES

The Société's financial statements were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

The Société's accounting policies and standards for presenting financial information comply with the recommendations of the Canadian Institute of Chartered Accountants and the Canadian Institute of Private and Public Real Estate Companies.

Immovables

- *In operation*

  Immovables in operation are accounted for at cost.

- *Under construction*

  In addition to direct costs, the cost of immovables under construction includes operating expenses, property taxes, interest and the applicable portion of general and administrative expenses related thereto, less rental income. Immovables under construction are not deemed to be in operation until the project is fully completed and the premises have reached a satisfactory level of occupancy within a reasonable time limit.

- *Intended for sale*

  Immovables intended for sale are valued at the lower of amortized cost and net realizable value. No depreciation on these immovables is recorded once the Société decides to sell them.

Dams

Dams, including related movables and immovables, are accounted for at cost.

In addition to direct costs, the cost of dams under construction includes property taxes, interest and the applicable portion of general and administrative expenses related thereto.

Equipment

Equipment is recorded at cost.

Depreciation of fixed assets

Immovables in operation are depreciated according to the sinking fund method, at an annual rate of 5% over their estimated service lives, which range from 15 to 50 years.

Dams are depreciated over a period of 15 to 50 years according to the sinking fund method, at a percentage rate determined annually and based on mean weighted cost of debt.

Equipment is depreciated according to the straight-line method over an estimated service life of 5 years.

Major leasehold improvements made on behalf of customers are amortized over a period of 15 years. Amortization is calculated according to the sinking fund method at a rate corresponding to that charged to the customer.

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002
(in thousands of dollars)

2. ACCOUNTING POLICIES (cont'd)

Capitalized interest

The portion of interest attributable to immovables and dams under construction is capitalized using the weighted average rate of interest-bearing debts.

Other assets

- *Deferred expenses*

The discount and issuing expenses for the long-term debt are amortized over the duration of the debt on a straight-line basis. Amortization of the discount is calculated over the duration of the debt using the interest method in effect.

The cost of developing computer systems is amortized according to the straight-line method over a period of 5 years.

The other deferred expenses and income are amortized according to the straight-line method over a period of 5 to 30 years.

- *Capital lease contract*

The deferred financing revenue related to the capital lease contract is amortized over 12 years at a rate of 8.83%.

- *Work in progress*

Work in progress consists of construction and minor leasehold improvement projects that have not been completed and that must be billed either when a progress report is submitted or upon completion of work. Such work is recorded at cost, less amounts billed.

Pension plans

The Société participates in government defined-benefit plans. Since it lacks sufficient information to apply the accounting procedure for defined-benefits plans, it applies the accounting procedure used for defined-contribution plans.

3. IMMOVABLES AND DAMS

	Land	Buildings	Dams	Immovables under capital leases	Major improvements	2002 Total	2001 Total
In operation	115 365	1 223 285	23 856	56 041	173 415	1 591 962	1 551 450
Under construction	3 765	57 529	67		11 222	72 583	30 443
Intended for sale	1 764	5 209				6 973	5 721
	120 894	1 286 023	23 923	56 041	184 637	1 671 518	1 587 614
Accumulated depreciation		221 855	4 765	6 736	44 590	277 946	247 527
	120 894	1 064 168	19 158	49 305	140 047	1 393 572 *	1 340 087

* Including $33.4 million (2001: $33.8 million) for major improvements related to immovables rented by the Société.

4. EXPANSION OF THE PALAIS DES CONGRÈS DE MONTRÉAL

The Société is mandated to expand the Palais des Congrès de Montréal. It will assign the Société du Palais des congrès de Montréal all work carried out for a sum equivalent to the costs incurred for the expansion. Expansion work is expected to end on September 30, 2002.

The Palais des Congrès de Montréal expansion is recorded at cost. The project cost under the responsibility of the Société is estimated at $231.5 million. In addition to direct costs, these costs include interest and related general and administrative costs.

5. COSTS CAPITALIZED – IMMOVABLES, DAMS AND EXPENSION OF THE PALAIS DES CONGRÈS DE MONTRÉAL

During the year, the following costs were capitalized:

	2002	2001
Wages, other direct costs and general and administrative expenses (Note 17)	9 538	6 438
Interest (Note 14)	4 499	2 895
Operating expenses, property taxes less rental income	49	93
	14 086	9 426

6. ACCOUNTS RECEIVABLE

	2002	2001
Related parties	26 243	29 451
Other	11 562	15 123
	37 805	44 574

7. OTHER ASSETS - NET

	2002	2001
Deferred expenses at amortized cost:		
Discount and issue expenses on long-term debt	2 331	2 748
Development of computer systems	1 095	1 241
Other costs and deferred proceeds	4 784	5 320
	8 210	9 309
Mortgage receivable – net (*)	10 351	10 597
Sales-type lease – net	1 405	1 542
Prepaid expenses	3 171	4 145
Work in progress	3 290	2 710
Investment – Société Bon Pasteur Enr.	3 625	3 394
	30 052	31 697

* First mortgage, pari passu, effective rate of 6.5%, maturing in 2002.

SOCIÉTÉ IMMOBILIÈRE DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002
(in thousands of dollars)

8. LONG-TERM DEBT

	2002	2001
Bonds (a)		
Maturing in 2006		
Series B, bearing interest at a nominal rate of 9.15% (effective rate of 9.36%)	10 245	10 245
Maturing in 2013		
Series E, bearing interest at a nominal rate of 10.10% (effective rate of 10.36%), with an option to redeem (b)	59 428	59 428
Maturing in 2014		
Series F, bearing interest at a nominal rate of 10.50% (effective rate of 10.78%)	150 000	150 000
Notes owed to the Financing Fund of the Gouvernement du Québec		
Maturing in 2001		
Interest at a nominal rate of 10.25%, (effective rate of 10.74%)		40 000
Maturing in 2002		
Interest at a nominal rate of 5.25%, (effective rate of 5.74%)	50 000	50 000
Interest at a nominal rate of 5.487%, (effective rate of 5.65%)	79 024	79 024
Interest at the nominal rate for bank acceptances plus 0.658 % (effective rate plus 0.224%)	27 000	27 000
Maturing in 2003		
Interest at the nominal rate for bank acceptances plus 0.1125% (effective rate plus 0.25%)	61 000	61 000
Maturing in 2005		
Interest at a nominal rate of 5.775%, (effective rate of 5.97%)	100 000	100 000
Interest at a nominal rate of 5.402%, (effective rate of 5.59%)	54 000	54 000
Maturing in 2007		
Interest at the nominal rate for bank acceptances plus 0.258% (effective rate plus 0.28%)	28 920	28 920
Maturing in 2009		
Interest at a nominal rate of 5.711%, (effective rate of 5.88%)	28 458	
Borrowings linked to interest-rate swap agreement (c)		
Maturing in 2002		
Interest at an effective rate of 5.52%		150 000
Maturing in 2008		
Interest at an effective rate of 5.74%	20 000	20 000
Maturing in 2012		
Interest at an effective rate of 5.77%	150 000	
Maturing in 2030		
Interest at an effective rate of 6.83%	40 300	40 300
Interest at an effective rate of 6.40%	35 000	35 000
Commitments under capital leases (d)	51 899	52 211
Borrowings at varying rates and terms	472	394
	945 746	957 522

8. LONG-TERM DEBT (cont'd)

Payments of principal for the next five fiscal years, excluding capital lease contracts, are as follows:

Year	
2003	156 031
2004	61 008
2005	9
2006	154 012
2007	39 177
	410 237

(a) Principal and interest payments are guaranteed by the Gouvernement du Québec.

(b) On March 28 of each year from 2003 to 2012 inclusive, holders may exercise this option and demand the redemption by the Société of the bonds at par value. The maximum value of bonds the Société would be required to redeem over the next 10 fiscal years is $9 million annually.

(c) These interest-rate swap agreements allow the short-term borrowings variable rates to be converted into fixed long-term rates. These temporary borrowings will be renewed on maturing during the entire duration of the interest-rate swap agreement.

(d) The minimum payments for capital leases for the coming fiscal years are as follows:

Year		
2003		9 519
2004		9 519
2005		9 519
2006		9 519
2007		9 519
Thereafter		208 959
Total minimum payments payable		256 554
Less:	Theoretical interest at a rate of 10.60%	110 755
	Incidental expenses	93 900
		204 655
		51 899

9. SHORT-TERM BORROWINGS

The short-term borrowings of the Société bear interest at an average rate of 2.16% and mature between April 1 and April 29, 2002.

10. ACCOUNTS PAYABLE AND ACCRUALS

	2002	2001
Related parties	13 175	13 464
Other	107 592	100 878
	120 767	114 342

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002
(in thousands of dollars)

11. CAPITAL STOCK

The shares of the Société immobilière du Québec are held by the Minister of State for the Economy and Finance.

	2002	2001
Authorized:		
100 000 shares with a par value of $1 000 each		
Issued and paid up:		
80 001 shares	80 001	80 001

12. RENTAL INCOME

Rental income for the year ended March 31, 2002 was billed on the basis of foreseeable costs. These costs were allocated to department and agency customers according to the pricing regulations for services rendered by the Société. Occupancy agreements were then signed by the Société and the Government departments and agencies, customers required to deal with the Société under Order-in-Council 1091-98.

13. PRESERVATION AND OPERATING EXPENSES FOR IMMOVABLES

	2002	2001
Preservation	22 850	20 375
Operating	73 489	73 396
	96 339	93 771
Less: Operating expenses for Société offices	997	1 011
	95 342	92 760

14. FINANCIAL EXPENSES - NET

	2002	2001
Interest expenses:		
Long-term debt		
Bonds and notes	45 531	42 489
Borrowings linked to interest-rate swap agreements	16 682	12 831
Commitments under capital leases	5 521	5 555
Borrowings at varying rates and terms	46	47
Amortization of the premium, discount and issue expenses on long-term debt	686	621
Loan guarantee expenses	1 098	1 098
Short-term borrowings	11 718	23 042
Other	765	156
Amounts carried forward	82 047	85 839

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002
(in thousands of dollars)

14. FINANCIAL EXPENSES – NET (cont'd)

	2002	2001
Amounts brought forward	82 047	85 839
Interest income:		
Short-term deposits	52	96
Mortgage	663	678
Sale-type lease	203	247
Other	39	29
	957	1 050
	81 090	84 789
Less:		
Interest capitalized to immovables, dams and expansion of the Palais des Congrès de Montréal	4 499	2 895
Interest charged to Société offices	1 542	1 602
Interest charged to leasehold improvements and other services offered to customers	6 294	8 864
Interest charges do dam-related expenses	1 116	1 447
	13 451	14 808
	67 639	69 981

15. DEPRECIATION

	2002	2001
Immovables, leasehold improvements and dams	60 846	80 010
Equipment and other assets	1 685	2 808
	62 531	82 818
Less depreciation charged to:		
Developments and other customer services	35 585	56 994
General and administrative expenses		
Equipment and computer systems development	402	434
Administrative offices expenses	419	429
Dam-related expenses	1 511	566
	37 917	58 423
	24 614	24 395

16. RELOCATION EXPENSES

Within the framework of its policy of attrition and attribution of space, the Société assumes the cost of relocating its customers, including moving and leasehold improvement or fit-up expenses. These expenses are financed entirely by the reduction in costs associated with surplus space.

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002
(in thousands of dollars)

17. GENERAL AND ADMINISTRATIVE EXPENSES - NET

	2002	2001
Salaries and fringe benefits	38 434	35 440
Administrative offices expenses	4 039	4 319
Travelling expenses	330	339
Professional services	178	198
Professional upgrading	158	303
Postage, courier and telecommunications	858	997
Communication and marketing	88	75
Supplies and other expenses	603	552
Computer systems	636	479
Depreciation of equipment and computer systems development	402	434
Other expenses *	(798)	2 854
	44 928	45 990
Less:		
Salaries, other direct costs and general and administrative expenses charged to property operation and leasehold improvements	27 457	27 314
Salaries, other direct costs and general and administrative expenses capitalized to immovables, dams and expansion of the Palais des Congrès de Montréal	9 538	6 438
	36 995	33 752
General and administrative expenses - net	7 933	12 238

* The other charges include $807 000 recovered (2001: expenditure of $2.6 million) for bad debts.

18. ADDITIONAL CHARGES FOR SICK LEAVE

During the fiscal year ended March 31, 2001, the Société gave consideration for all sick leave accumulated by its employees despite the fact that in previous years, it gave consideration for only 50%. This increased the charge for the year by $3 million. Accounts payable and accrued liability include $5.6 million as a provision for sick leave (2001: $5.4 million).

19. FINANCIAL INSTRUMENTS - FAIR VALUE

As at March 31, 2002, the fair value of the Société's long-term debt of $946 million (2001: $957 million) amounted to $760 million (2001: $1 020 million) owing to the discounting of cash flows using quoted market rates for fixed-rate securities of a similar nature.

The fair value of other financial instruments of assets and liabilities is approximately equal to their book value given the instruments' short-term due dates.

20. FUTURE FRINGE BENEFITS

Pension plans

The staff members of the Société participate in the Government and Public Employees Retirement Plan (RREGOP), the Civil Service Superannuation Plan (CSSP) or the Pension Plan of Management Personnel (PPMP). These are interenterprise defined-benefit plans and include guaranteed payments upon retirement and death.

The Société's contributions charged to the year-end statement amount to $1.2 million (2001: $0.9 million).The Société's liability towards these government plans is restricted to its contributions as an employer.

21. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements, the Société is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Société did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

22. COMMITMENTS

Operating leases

The minimum payments required under operating leases are as follows:

Year	
2003	154 796
2004	142 376
2005	119 227
2006	86 297
2007	69 937
Thereafter	190 960
	763 593

Construction and major leasehold improvement projects

As at March 31, 2002, external work and fees related to construction and major leasehold improvement projects were part of contractual agreements totalling $68 million, of which $27 million were linked to the expansion of the Palais des Congrès de Montréal.

23. CONTINGENCIES

Claims and legal proceedings totalling $24 million were outstanding against the Société at the time these financial statements were being prepared. Based on the information available, management feels, that for more than $21 million of these contingencies, it is very unlikely that the Société's liability for these claims and legal proceedings is of sufficient magnitude to affect its financial position. For a $3-million balance, a provision for eventual losses was posted to the financial statements.

Legal proceedings related to dams during the July 1996 flooding in the Saguenay, estimated at approximately $70 million, were instituted against the Société. However, in this regard, management has good reason to believe that it will not have to assume any liability whatsoever.

If applicable, any payments made by the Société will be charged to the year-end statement or capitalized to immovables according to the type of claim.

24. COMPARATIVE FIGURES

Certain 2001 figures have been reclassified for consistency with the presentation adopted in 2002.

SOCIÉTÉ IMMOBILIÈRE DU QUÉBEC

MANAGEMENT'S REPORT

The financial statements of the Corporation were drawn up by the management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

Management adopted a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are recorded properly.

The Board of Directors fulfilled its responsibility with regard to the financial statements, mainly through its audit committee. This committee met periodically with management and the internal auditor to ensure that the internal accounting controls were adequate and that the financial data pertaining to the Société was reported in its entirety. The committee examined the financial statements and recommended that the Board of Directors adopt them.

The Auditor General of Québec has audited the Société's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the audit committee to discuss any matter related to the audit.

Jean-P. Vézina
President and Chief Executive Officer

Diane Delisle
Vice-President, Administration and Finance

Québec, June 7, 2002

AUDITOR'S REPORT

To the Minister of State for the Economy and Finance

I have audited the balance sheet of the Société immobilière du Québec as at March 31, 2002 and the statements of income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of Société management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Société's financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, June 7, 2002

SOCIÉTÉ INNOVATECH DU GRAND MONTRÉAL
(R.S.Q., c. S-17.2.0.1)

LOSS AND DEFICIT
for the year ended March 31, 2002

	2002	2001
REVENUES		
Gains on disposal of investments	$17 609 202	$12 404 852
Investment income	2 022 424	2 087 162
Interest on temporary investments	1 467 820	1 722 525
Other	86 935	73 116
	21 186 381	16 287 655
EXPENSES		
Operating expenses:		
Salaries and benefits	2 483 355	2 306 802
Professional and contractual services (Note 4)	187 674	178 607
Rent, taxes and insurance	287 777	292 957
Advertising, promotion and annual report	440 310	520 970
Telephone and courier	81 336	89 875
Travel and business development	345 835	303 587
Office expenses	128 104	134 823
Amortization of capital assets	125 535	137 743
Other	38 098	38 724
	4 118 024	4 004 088
Investment related expenses (Note 5)	56 692 986	8 394 479
	60 811 010	12 398 567
NET (LOSS) EARNINGS BEFORE PRIVATIZATION INITIATIVE EXPENSES	(39 624 629)	3 889 088
Privatization initiative expenses		838 860
NET (LOSS) EARNINGS	(39 624 629)	3 050 228
RETAINED EARNINGS AT BEGINNING OF YEAR	13 628 385	10 578 157
(DEFICIT) RETAINED EARNINGS AT END OF YEAR	$(25 996 244)	$13 628 385

SOCIÉTÉ INNOVATECH DU GRAND MONTRÉAL

BALANCE SHEET
as at March 31, 2002

	2002	2001
ASSETS		
Current assets		
Cash	$742 830	$2 009 570
Temporary investments (Note 6)	24 438 475	43 396 330
Accounts receivable (Note 3)	3 194 022	5 896 629
Prepaid expenses	47 262	55 742
	28 422 589	51 358 271
Loans receivable, non-interest bearing		1 180 850
Interest receivable	103 243	99 148
Investments (Note 7)	238 191 223	234 245 498
Capital assets (Note 8)	437 749	248 394
	$267 154 804	$287 132 161
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$1 203 048	$1 555 776
SHAREHOLDER'S EQUITY		
Share capital (Note 9)	291 948 000	271 948 000
(Deficit) Retained earnings	(25 996 244)	13 628 385
	265 951 756	285 576 385
	$267 154 804	$287 132 161

COMMITMENTS (Note 11)

On behalf of the Board of Directors,
Denise Martin
Chairman of the Board of Directors

Jacques Allard
Chairman of the Audit Committee

SOCIÉTÉ INNOVATECH DU GRAND MONTRÉAL

CASH FLOWS
for the year ended March 31, 2002

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) earnings	$(39 624 629)	$3 050 228
Adjustments for:		
Amortization of capital assets	125 535	137 743
Gains on disposal of capital assets	(3 312)	
Interest capitalized to investments	(1 089 318)	(1 096 749)
Loan impairment	9 470 476	1 160 185
Debt write-offs	1 350 000	
Permanent decline in value of equity interests	44 925 181	7 147 479
Gains on disposal of investments	(17 609 202)	(12 404 852)
	(2 455 269)	(2 005 966)
Changes in non-cash working capital items:		
Changes in accounts receivable	2 770 107	(1 985 447)
Decrease in prepaid expenses	8 480	891
Changes in loans receivable	1 180 850	(580 850)
Changes in interest receivable	(4 095)	385 273
Changes in accounts payable and accrued liabilities	(352 728)	184 563
	1 147 345	(4 001 536)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of capital assets	(321 259)	(111 655)
Proceeds on disposal of capital assets	9 681	
Investments	(77 099 556)	(69 985 567)
Proceeds on disposal of investments	34 072 947	33 482 430
Reimbursement of investments	1 966 247	3 113 358
	(41 371 940)	(33 501 434)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issue of share capital	20 000 000	42 000 000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(20 224 595)	4 497 030
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	45 405 900	40 908 870
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 13)	$25 181 305	$45 405 900

SOCIÉTÉ INNOVATECH DU GRAND MONTRÉAL

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2002

1. GOVERNING STATUTE AND NATURE OF ACTIVITIES

Société Innovatech du Grand Montréal is a legal person of public law established under Chapter 33 of the statutes of 1992 and continued as a company with share capital by virtue of its governing statute, the Act respecting Société Innovatech du Grand Montréal (R.S.Q., c. S-17.2.0.1). The Société's mission is to promote and support initiatives designed to develop technological innovation capabilities in the territory described in Schedule A of its governing statutes, namely the aggregate of the territories of the municipal bodies comprising the south-western part of the Province of Québec, and thereby enhance competitiveness and economic growth while generating returns that will sustain its activities.

The Société defines itself as a venture capital corporation, that is, its investments are made in the form of speculative investments in companies with strong growth potential.

Pursuant to section 3 of its incorporating act, the Société is a mandatary of the Government of Québec and, accordingly, is not subject to income taxes in Québec and Canada.

2. ACCOUNTING POLICIES

The financial statements of the Société have been prepared by management in accordance with Canadian generally accepted accounting principles and include certain amounts based on management's best estimates and judgments.

Temporary investments

Temporary investments are recorded at cost.

Investments

Investments are made in the form of:

- common shares
- preferred shares
- limited partnership units
- loans
- warrants
- investments in trust

Loans include capitalized interest, when provided for under agreement. Investments are accounted for at cost, less any permanent decline in value and allowance for loan impairment, if applicable.

Allowance for loan impairment

When loans are identified as impaired, their carrying amounts are reduced to their estimated realizable value. When the amounts and the timing of future cash flows cannot be estimated with reasonable reliability, estimated realizable value is measured at observable market prices or according to management's judgment.

Cash flows

The Société presents in its cash and cash equivalents bank balances and temporary investments that are readily convertible into cash and which are subject to an insignificant risk of changes in value.

Capital assets

Capital assets are recorded at cost and amortized over their estimated useful lives under the straight-line method at the following rates:

Furniture and equipment	20%
Computer hardware and software	20% and 33 1/3%
Leasehold improvements	20%

3. ACCOUNTS RECEIVABLE

	2002	2001
Accrued interest and other	$1 889 471	$1 330 565
Not-interest bearing accounts receivable	1 180 850	
Proceeds receivable on disposal of investments	123 701	4 566 064
	$3 194 022	$5 896 629

4. PROFESSIONAL AND CONTRACTUAL SERVICES

The amounts the Société receives as reimbursement of expenses for analyzing investment files, representing $499 205 (2001: $463 938), are netted against professional and contractual services.

5. INVESTMENT RELATED EXPENSES

Investment expenses are broken down as follows:

	2002	2001
Settlement of a litigation and exercised loan guarantees	$947 329	$86 815
Debt write-offs	1 350 000	
Loan impairment	9 470 476	1 160 185
Permanent decline in value of equity interests	44 925 181	7 147 479
	$56 692 986	$8 394 479

6. TEMPORARY INVESTMENTS

The Société's cash surpluses are invested in a treasury management fund.

7. INVESTMENTS

	2002	2001
Common shares		
- private companies	$92 987 042	$95 431 092
- public companies (market value: $61 565 286)	64 357 711	60 434 225
Preferred shares		
- redeemable and/or convertible (maturing from 2002 to 2005)	5 864 533	3 514 533
- redeemable and/or convertible (unspecified maturity)	72 397 626	37 316 991
Limited partnership units	17 084 023	11 158 338
Loans		
- convertible (maturing from 2002 to 2009)	15 469 241	16 579 814
- convertible (unspecified maturity)	8 332 023	2 756 519
- non-convertible (maturing from 2002 to 2008)	11 441 273	11 756 312
- non-convertible (unspecified maturity)	970 000	3 334 430
Warrants	270 908	
Investments in trust	3 412 500	270 908
	292 586 880	242 553 162
Less:		
Allowance for loan impairment *	9 470 476	1 160 185
Permanent decline in value of equity interests	44 925 181	7 147 479
	$238 191 223	$234 245 498

7. INVESTMENTS (cont'd)

* The total loan impairment associated with this allowance is $12 054 917 (2001: $1 160 185). The unprovisioned portion amounts to $2 584 441 (2001: $–).

8. CAPITAL ASSETS

	2002			2001
	Cost	Accumulated amortization	Net	Net
Furniture and equipment	$241 400	$168 618	$72 782	$94 156
Computer hardware and software	761 804	397 226	364 578	152 402
Leasehold improvements	8 353	7 964	389	1 836
	$1 011 557	$573 808	$437 749	$248 394

9. SHARE CAPITAL

The principal purpose of the Act respecting Société Innovatech du Grand Montréal is to enable the Société to continue its existence and to be endowed with authorized capital of $350 000 000.

The share capital is issued to the Minister of Finance and is therefore under the responsibility of the Government of Québec.

	2002	2001
Authorized:		
3 500 000 common shares with a par value of $100 each		
Issued and paid:		
2 919 480 common shares (2001: 2 719 480)	$291 948 000	$271 948 000

During the year, the Société issued 200 000 common shares for cash consideration of $20 000 000.

10. RELATED PARTY TRANSACTIONS

The Société is related to all government departments and special funds, as well as to all agencies and companies that the Government of Québec controls directly or indirectly or over which it exercises joint control or significant influence. The Société has not entered into any business transactions with these related parties other than those in the normal course of operations and according to standard commercial terms. These transactions are not disclosed separately in the financial statements.

11. COMMITMENTS

As at March 31, 2002, the Société's commitments with respect to financial support for initiatives were as follows:

	2002
Common shares	$17 171 733
Preferred shares	15 624 751
Limited partnership units	25 049 448
Loans	1 315 900
	$59 161 832

12. FINANCIAL INSTRUMENTS

Fair value

The fair value of short-term financial instruments approximates their carrying amount, given that they mature in the near future. The fair value of long-term financial instruments has been determined internally using valuation methods used in venture capital markets.

Under these methods, common shares of private companies are valued at acquisition cost, unless a tangible, quantifiable event with a significant impact on the value of the companies substantiates an increase or a decrease in value. However, if the fair value of these instruments remains at acquisition cost for over 36 months due to the absence of such events, it will be reassessed extensively.

For the valuation of public companies with a volume of stock market transactions, the market value is the lower of the value established by the average closing price over a one-month period and the closing price at the valuation date. A marketability discount rate may be applied based on the volume traded and the time required to sell the shares on the public market.

Fixed-income investments are valued at their present value only when the rate of return is lower than the discount rate. If the rate of return is higher, the fair value remains at acquisition cost, unless a tangible event substantiates a write-down in value.

	2002		
	% Book value	Book value	Fair value
Common shares of private companies	32.8	$78 087 159	$78 758 319
Common shares of public companies	19.9	47 359 866	57 828 399
Preferred shares *	27.4	65 234 706	64 688 655
Limited partnership units *	7.2	17 084 023	15 882 982
Loans *	11.2	26 742 061	24 563 475
Investments in trust	1.4	3 412 500	3 412 500
Warrants	0.1	270 908	3 404 683
	100.0	$238 191 223	$248 539 013

	2001		
	% Book value	Book value	Fair value
Common shares of private companies	38.1	$89 152 989	$97 201 450
Common shares of public companies	25.4	59 564 848	91 088 365
Preferred shares	17.4	40 831 525	47 086 661
Limited partnership units	4.8	11 158 338	13 106 398
Loans *	14.2	33 266 890	31 007 044
Warrants	0.1	270 908	2 253 903
	100.0	$234 245 498	$281 743 821

* The fair values of the loans, preferred shares and limited partnership units are lower than their book value. However, no provision has been made for these differences, since the Société expects to recover their full book value.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
March 31, 2002

12. FINANCIAL INSTRUMENTS (cont'd)

Credit risk

The Société is exposed to risks related to economic conditions affecting the sectors in which it is involved. The investments are in the following three business units:

- Health Sciences: 40% (2001: 40%)
- Information Technologies and Telecommunications: 33% (2001: 33%)
- Advanced Technologies: 27% (2001: 27%)

The Société reviews its investments on an ongoing basis and determines permanent declines in value based on the risk the companies represent. According to management, there are no material unrecorded risks as at March 31, 2002.

Interest rate risk

Interest rates on investments and the risk to which the Société is exposed with respect to interest rates are summarized in the following table:

	Without interest	Floating rate	Fixed rate until maturity of investment	Total
Investments:				
Convertible loans	$200 000		$23 601 264	$23 801 264
Non-convertible loans	900 000	$8 682 940	2 828 333	12 411 273
	$1 100 000	$8 682 940	$26 429 597	$36 212 537

Average effective interest rate: 10.6%
Interest rates range from 4.75% to 20%.

13. CASH AND CASH EQUIVALENTS

	2002	2001
Cash	$742 830	$2 009 570
Temporary investments	24 438 475	43 396 330
	$25 181 305	$45 405 900

14. COMPARATIVE FIGURES

Certain figures for 2001 have been restated in order to conform to current year presentation.

SOCIÉTÉ INNOVATECH DU GRAND MONTRÉAL

MANAGEMENT'S REPORT

The financial statements of Société Innovatech du Grand Montréal have been drawn up by management, which is responsible for their preparation and presentation, including significant estimates and judgments. This responsibility includes choosing the appropriate accounting policies in accordance with Canadian generally accepted accounting principles. The financial information presented elsewhere in this Annual Report is consistent with that shown in the financial statements.

In assuming its responsibility, management maintains the necessary accounting and internal control systems designed to provide reasonable assurance that assets are safeguarded, transactions are recorded in an appropriate and timely manner and are duly approved, and reliable financial statements are prepared.

The Société acknowledges that it is responsible for managing its affairs in accordance with its governing legislation and regulations.

The Board of Directors oversees the manner in which management assumes its responsibilities with respect to financial information and has approved the financial statements. It is assisted by the Audit Committee, whose members are not members of management. The Committee meets with management and the auditor, examines the financial statements and recommends their approval by the Board of Directors.

The Auditor General of Québec has audited the financial statements of the Société in accordance with Canadian generally accepted auditing standards. His report describes the nature and scope of the audit and gives his opinion thereon. The Auditor General may meet freely with the Audit Committee to discuss any matter related to this audit.

Hubert Manseau
President and Chief Executive Officer

Montréal, May 24, 2002

AUDITOR'S REPORT

To the Minister of Finance

I have audited the balance sheet of Société Innovatech du Grand Montréal as at March 31, 2002 and the statements of loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Société's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Société as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Interim Auditor General of Québec

Québec City, May 24, 2002

SOCIÉTÉ INNOVATECH DU SUD DU QUÉBEC
(R.S.Q. c. S-17.2.2)

INCOME AND DEFICIT
for the year ended March 31, 2002

	2002	2001
REVENUE		
Investment income	$640 125	$190 782
Interest income on bank balance	143 102	134 724
Professional services	248 220	72 492
Gouvernement du Québec subsidy		208 846
	1 031 447	606 844
EXPENDITURE		
Operating expenses:		
Salaries and fringe benefits	714 138	561 853
Professional and contractual services	88 941	124 111
Rent, taxes and insurance	95 346	85 047
Travelling and business development	107 089	81 096
Office expenses	87 800	84 128
Advertising and promotion	68 681	73 606
Telephone and messenger services	16 443	11 091
Training	3 161	14 021
Bank charges	1 549	3 199
Loss (gain) on disposal of investments assets	(216)	879
Depreciation of fixed assets	27 031	37 681
	1 209 963	1 076 712
Doubtful accounts	91 692	22 060
Doubtful loans	595 073	470 000
Permanent decline in value on capital-stock investments	1 530 049	3 763 307
	2 216 814	4 255 367
	3 426 777	5 332 079
NET LOSS	2 395 330	4 725 235
DEFICIT, BEGINNING OF YEAR	6 162 277	1 437 042
DEFICIT, END OF YEAR	$8 557 607	$6 162 277

SOCIÉTÉ INNOVATECH DU SUD DU QUÉBEC

BALANCE SHEET
as at March 31, 2002

	2002	2001
ASSETS		
Current assets		
Cash on hand	$5 554 887	$2 120 176
Accounts receivable (Note 3)	565 728	208 852
Prepaid expenses	19 212	40 491
	6 139 827	2 369 519
Investments (Notes 4 and 9)	26 684 692	13 889 877
Fixed assets (Note 5)	64 185	66 964
	$32 888 704	$16 326 360
LIABILITIES		
Current liabilities		
Accounts payable and accruals	$60 381	$102 707
SHAREHOLDER'S EQUITY		
Capital stock (Note 6)	40 000 800	21 000 800
Contributed surplus	1 385 130	1 385 130
Deficit	(8 557 607)	(6 162 277)
	32 828 323	16 223 653
	$32 888 704	$16 326 360

COMMITMENTS (Note 8)

On behalf of the Board of Directors,
Paul I. Lambert
Daniel Poisson

SOCIÉTÉ INNOVATECH DU SUD DU QUÉBEC

CASH FLOW
for the year ended March 31, 2002

	2002	2001
OPERATING ACTIVITIES		
Net loss	$(2 395 330)	$(4 725 235)
Adjustments for:		
Loss on disposal of investments	27 031	37 681
Capitalized interest on investments	(140 239)	
Doubtful loans	595 073	470 000
Permanent decline in value on capital-stock investments	1 530 049	3 763 307
Deferred Gouvernement du Québec subsidy		(8 846)
Loss (gain) on disposal of assets	(216)	879
	(383 632)	(462 214)
Changes in non-cash items related to operations:		
Increase in debtors	(414 041)	(138 400)
Change in prepaid costs	21 279	(31 035)
Change in creditors and accrued costs	(42 326)	58 471
	(818 720)	(573 178)
INVESTMENT ACTIVITIES		
Acquisition of fixed assets	(24 906)	(40 358)
Proceeds from disposal of fixed assets	870	465
Acquisition of investments	(14 760 656)	(6 381 774)
Proceeds from disposal of investments	38 123	300 002
	(14 746 569)	(6 121 665)
FINANCING ACTIVITIES		
Capital stock issue	19 000 000	5 600 000
	19 000 000	5 600 000
INCREASE (DECREASE) IN CASH ON HAND	3 434 711	(1 094 843)
CASH ON HAND, BEGINNING OF YEAR	2 120 176	3 215 019
CASH ON HAND, END OF YEAR	$5 554 887	$2 120 176

SOCIÉTÉ INNOVATECH DU SUD DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

The Société Innovatech du sud du Québec is a legal person established in the public interest under Chapter 19 of the 1995 statutes and constituted as a corporation through its governing statute, i.e. the Act respecting Société Innovatech du sud du Québec (R.S.Q., c. S-17.2.2). The Société's mission is to promote and support initiatives likely to increase the capacity for technical innovation on the territory described in Schedule A of its incorporating Act, namely, all territories of the municipal agencies comprising the south-western portion of the province of Québec, and, thereby, to enhance Québec's competitiveness and economic growth, while ensuring a rate of return enabling it to continue its activities.

The Société defines itself as a venture capital agency. In other words, its investment commitments take the form of leveraged investments in companies with strong growth potential.

2. ACCOUNTING POLICIES

The financial statements of the Société were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Investments

Investments are recorded at cost after deducting any permanent decline in value or allowance for doubtful loans, as the case may be. Some loans include capitalized interest where provided for by agreement.

Allowance for doubtful loans

When it is established that there are risks regarding loan recovery, their book value is adjusted to their estimated realizable value. When debts are defined doubtful, their book value is adjusted to their estimated realizable amount. When the amounts or the moment future cash flows will be realized cannot be estimated with reasonable accuracy, the estimated realizable amounts are measured according to the market prices observable for these loans or according to management's judgement.

Fixed assets

Fixed assets are recorded at cost and depreciated over their estimated useful lives on a straight-line basis at the following rates:

Furniture and equipment	20%
Computer equipment	20%
Leasehold improvements	20%
Computer system development	33%

3. ACCOUNTS RECEIVABLE

	2002	2001
Accrued interest on investment	$575 480	$191 027
Other	60 642	39 885
	636 122	230 912
Allowance for doubtful accounts	70 394	22 060
	$565 728	$208 852

SOCIÉTÉ INNOVATECH DU SUD DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

4. INVESTMENTS

	2002	2001
Common stock		
Private corporations	$11 581 415	$11 882 906
Public corporations (stock market value of $500 000)	500 000	
Securities convertible into common shares		
Preferred stock *	8 528 439	1 737 726
Debentures and loans		
maturing during the nest fiscal year	1 600 000	750 000
no maturity date	6 071 209	2 211 000
Securities non convertible		
Preferred stock *	1 491 928	957 195
Debentures and loans at no maturity date		300 000
Shares in limited partnerships	749 250	749 250
Doubtful loans		
Debentures and loans		
convertible	502 200	1 200 000
non convertible	319 996	20 000
	31 344 437	19 808 077
Less:		
Allowance for doubtful loans		
Debentures and loans		
convertible	502 200	1 200 000
non convertible	319 996	20 000
Permanent decline in value on capital-stock investments	3 837 549	4 698 200
	$26 684 692	$13 889 877

* Some of these securities are redeemable.

5. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net	Net
Furniture and equipment	$20 168	$10 432	$9 736	$14 547
Computer equipment	44 241	22 121	22 120	22 447
Leasehold improvements	29 552	7 556	21 996	9 305
Computer system development	30 998	20 665	10 333	20 665
	$124 959	$60 774	$64 185	$66 964

6. CAPITAL STOCK

The Act respecting the Société Innovatech du Sud du Québec is notably designed to enable the Société to survive and to be endowed with an authorized partnership fund of $50 million.

Shares in the partnership fund of the Société belong to the public domain and are allocated to the Minister of Finance.

	2002	2001
Authorized:		
500 000 common shares with a par value of $100 each		
Issued and paid:		
400 008 common shares (210 008 in 2001)	$40 000 800	$21 000 800

During the fiscal year, the Société issued 190 000 common shares for a cash consideration of $19 000 000 (2001: 56 000 common shares for an amount of $5 600 000).

Under Bill 87 tabled in the National Assembly on April 30, 2002, the Société's authorized partnership capital could be $100 000 000.

7. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements and measured at exchange value, the Société is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Société did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

8. COMMITMENTS

As at March 31 2002, the Société's commitments with respect to financial support for initiatives are of $7 996 787 ($9 519 173 as at March 31, 2001).

Under long-term lease agreements for commercial premises and an equipment office terminating December 1, 2004, the Société has made commitments to pay a sum of $85 354. The minimum payments requires for the next three fiscal years amount to $79 487 in 2003, $3 911 in 2004 and $1 956 in 2005.

9. FINANCIAL INSTRUMENTS

Fair value

The fair value of short-term financial instruments is equivalent to their book value, given that they will mature in the short term. The fair value of long-term financial instruments was determined internally using the valuation methods used in venture capital markets. These methods notably foresee having the ordinary capital stock presented at the cost of acquisition, unless a concrete event, that is quantifiable and that has a significant impact on the value of enterprises justifies an increase or decrease in value.

However, if these instruments remain at acquisition cost for a period exceeding 36 months due to absence of events, they will undergo in-depth valuation. With regard to fixed income securities, the method discounts expected future cash flows only in those cases where the rate of return is lower than the discount rate. If the rate of return is higher, the fair value remains the acquisition cost unless a concrete event justifies a drop in value.

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

9. FINANCIAL INSTRUMENTS (cont'd)

Fair value (cont'd)

	2002			2001		
	%	Book value	Fair value	%	Book value	Fair value
Investments:						
Common stock	38.4	$10 258 871	$11 903 770	58.3	$8 099 656	$20 189 035
Securities convertible into common shares						
Preferred stock	30.5	8 142 660	8 908 482	12.5	1 737 726	1 737 726
Debentures and loans	28.8	7 671 209	7 671 209	21.3	2 961 000	2 961 000
Securities not convertible into common shares						
Preferred stock	2.3	611 952	611 952	5.7	791 495	787 953
Debentures and loans				2.2	300 000	300 000
Shares in limited partnerships						
	100.0	$26 684 692	$29 095 413	100.0	$13 889 877	$25 975 714

Credit risk

The Société is exposed to the economic conditions affecting the sectors in which it carried out its activities. Investments fall into the following sectors:

	2002	2001
Health science	34%	25%
Information technologies	41%	38%
Industrial technologies	25%	37%

The Société evaluates it investments on an ongoing basis throughout the fiscal year. It establishes its decreases in long-term value based on the risk the enterprises represent. According to management, there was no significant unposted risk at March 31, 2002.

9. FINANCIAL INSTRUMENTS (cont'd)

Interest-rate risk

Interest rates on investments and the inherent risk are as follows:

	Floating rate	Fixed rate until maturity *	Total
Investments:			
Convertible debentures	$265 200	$7 908 209	$8 173 409
Non convertible loans		319 996	319 996
	$265 200	$8 228 205	$8 493 405

Average effective interest rate: 13.17%.

* Interest rates vary from 10% to 15%.

SOCIÉTÉ INNOVATECH DU SUD DU QUÉBEC

MANAGEMENT'S REPORT

The financial statements of the Société Innovatech du sud du Québec were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with generally accepted accounting principles. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Société recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors oversees the manner in which management performs its financial reporting duties, and has approved the financial statements.

The Auditor General of Québec has audited the Société's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the board of directors to discuss any matter related to the audit.

Daniel Poisson
President and Chief Executive Officer, MBA

Sherbrooke, May 10, 2002

AUDITOR'S REPORT

To the Minister of Finance

I have audited the balance sheet of the Société Innovatech du sud du Québec as at March 31, 2002 and the statements of income and deficit and cash flows for the year then ended. These financial statements are the responsibility of Société management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

I conducted my audit in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Société's financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with generally accepted accounting principles from Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, May 10, 2002

SOCIÉTÉ INNOVATECH QUÉBEC ET CHAUDIÈRE-APPALACHES
(R.S.Q., c. S-17.4)

RESULTS AND DEFICIT
for the year ended March 31, 2002

	2002	2001
REVENUE		
Investment income	$974 749	$594 784
Interest on demand deposits and short-term investments	284 042	701 730
Management fees	175 070	302 572
Gain on disposal of investments	818 345	105 933
Gain on changes	47 916	
	2 300 122	1 705 019
EXPENDITURE		
Operating expenses:		
Salaries and fringe benefits	1 116 249	839 841
Professional and contractual services	117 959	234 964
Rent	120 580	98 818
Advertising and promotion	167 769	169 359
Travelling and business development	146 998	109 944
Office expenses	85 436	77 520
Communications	31 722	25 398
Depreciation of fixed assets	62 142	46 063
	1 848 855	1 601 907
Contribution for the Cité de l'optique		4 906
Contribution for Québec Biophotonique(Note 3)	46 061	
Bad debts	(136 986)	219 580
Doubtful loans	2 324 834	715 499
Permanent decline in value of capital stock	7 670 313	5 786 135
	9 858 161	6 721 214
	11 753 077	8 328 027
(NET LOSS)	(9 452 955)	(6 623 008)
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR	(4 441 539)	2 181 469
(DEFICIT), END OF YEAR	$(13 894 494)	$(4 441 539)

SOCIÉTÉ INNOVATECH QUÉBEC ET CHAUDIÈRE-APPALACHES

BALANCE SHEET
as at March 31, 2002

	2002	2001
ASSETS		
Current assets		
Cash on hand	$1 388 049	$957 527
Short-term investments (Note 4)	5 520 126	5 000 000
Accounts receivable (Note 5)	710 002	229 482
Prepaid expenses	46 962	36 067
	7 665 139	6 223 076
Investments (Notes 6 and 13)	73 455 808	56 117 409
Fixed assets (Note 7)	126 700	147 627
	$81 247 647	$62 488 112
LIABILITIES		
Current liabilities		
Accounts payable and accruals	$159 045	$296 555
Subscriptions payable		250 000
	159 045	546 555
SHAREHOLDER'S EQUITY		
Capital stock (Note 8)	94 983 096	66 383 096
(Deficit)	(13 894 494)	(4 441 539)
	$81 247 647	$62 488 112

COMMITMENTS (Note 11)
CONTINGENCIES (Note 12)

On behalf of the Board of Directors,
Francine Bonicalzi
Francine Laurent

SOCIÉTÉ INNOVATECH QUÉBEC ET CHAUDIÈRE-APPALACHES

CASH FLOW
for the year ended March 31, 2002

	2002	2001
OPERATING ACTIVITIES		
(Net loss)	$(9 452 955)	$(6 623 008)
Adjustments for:		
Depreciation of fixed assets	62 142	46 063
Capital interest on investments	(228 229)	(133 846)
Stock dividends	(40 000)	
Permanent decline in value of capital stock	7 670 313	5 786 135
Doubtful loans	2 324 834	715 499
Gain on disposal of investments	(818 345)	(105 933)
Other elements with no effect on liquid assets	149	
	(482 091)	(315 090)
Change in non-cash items linked to operations (Note 9)	(416 803)	413 203
Cash flows (used for) provided by operating activities	(898 894)	98 113
INVESTMENT ACTIVITIES		
Acquisition of fixed assets	(41 268)	(70 855)
Acquisition on investments	(28 976 143)	(24 738 146)
Recovery of loans and debentures	682 149	965 963
Proceeds from disposal of shares	1 584 804	2 047 433
Cash flows used for investment activities	(26 750 458)	(21 795 605)
FINANCING ACTIVITIES		
Cash flows provided by financing activities:		
Capital stock issue	28 600 000	11 000 000
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	950 648	(10 697 492)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5 957 527	16 655 019
CASH AND CASH EQUIVALENTS, END OF YEAR	$6 908 175	$5 957 527
Cash on hand	$1 388 049	$957 527
Short-term investments	5 520 126	5 000 000
Cash and equivalents, end of year	$6 908 175	$5 957 527

SOCIÉTÉ INNOVATECH QUÉBEC ET CHAUDIÈRE-APPALACHES

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

The Société Innovatech Québec et Chaudière-Appalaches is a legal person established in the public interest under Chapter 80 of the 1993 statutes and continued as a corporation through its governing statute the Act respecting Société Innovatech Québec et Chaudière-Appalaches (R.S.Q., c. S-17.4). The Société's mission is to promote and support initiatives likely to increase the capacity for technical innovation on the territory defined in its incorporating Act and, thereby, to enhance Québec's competitiveness and economic growth, while ensuring a rate of return enabling it to continue its activities.

The Société defines itself as a venture capital agency. In other words, its investment commitments take the form of leveraged investments in companies with strong growth potential.

2. ACCOUNTING POLICIES

The Société's financial statements were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Cash and cash equivalents

The Société's policy consists in presenting cash and cash equivalents under bank balances and short-terms investments maturing less than three months after the date they were acquired.

Investments

Investments are recorded at cost after deducting any permanent decline in value or allowance for doubtful loans, as the case may be. Certain securities include capitalized proceeds when this situation is provided for in an agreement.

Allowance for doubtful loans

When it is established that there are risks regarding recovery of investments, the accounting values are considered to correspond to their estimated disposable value. When the amounts and time of disposal for future cash flows cannot be estimated relatively reasonably, the estimated disposal values are measured according to the market prices observable for these investments or based on management's judgement.

Fixed assets

Fixed assets are recorded at cost and amortized over their services lives on a straight-line basis as follows:

Equipment	6 years
Data processing equipment	3 years
Office equipment	4 years
Leasehold improvements	4 years

3. CONTRIBUTION FOR QUÉBEC BIOPHOTONIQUE

In fiscal 2002, the Société, in partnership with Québec – Cité de l'Optique, initiated and supported the creation of Québec Biophotonique inc., which is mandated to help create and develop a new economic network in Québec by linking the scientific and industrial aspects of the life sciences and optics-photonics. The Société received subsidies for this purpose in fiscal 2002. The item breaks down as follows:

	2002
Total expenditure	$136 061
Subsidies:	
Ministère de l'Industrie et du Commerce	90 000
Contribution de la Société pour Québec Biophotonique	$46 061

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

4. SHORT-TERM INVESTMENTS

	2002	2001
Commercial paper at 5.52%, maturing April 10, 2001		$5 000 000
Commercial paper at 2.02%, maturing April 8, 2002	$2 536 296	
Commercial paper at 2.15%, maturing May 7, 2002	2 983 830	
	$5 520 126	$5 000 000

5. ACCOUNTS RECEIVABLE

	2002	2001
Interest and dividends receivable on investments including a $40 411 provision for doubtful debts (2001: $118 367)	$411 492	$112 975
Interest receivable on short-term investments	17 235	60 411
Accounts receivable from Société Innovatech Régions ressources		8 202
Proceeds from sale receivable	212 133	
Subsidy receivable – Ministère de l'Industrie et du Commerce	30 000	
Other	39 142	47 894
	$710 002	$229 482

6. INVESTMENTS

	2002	2001
Common stock:		
private corporations	$42 963 428	$34 808 810
public corporations (market value $13 120 786, 2001: $3 822 982)	7 572 641	2 867 655
Securities convertible into common shares		
Capital stock	12 847 017	10 132 417
Debentures and loans (Note 13c)		
Maturing from 2002 to 2007	9 107 387	3 720 494
no maturity date	3 306 500	1 976 500
Securities not convertible		
Capital stock	540 000	857 986
Debentures and loans (Note 13c)		
maturing from 2002 to 2006	1 585 093	2 555 335
no maturity date	487 906	30 000
Refundable contributions (Note 13c)		
maturing in 2010	2 250 000	2 500 000
no maturity date	4 825 888	4 825 888
Advances under the Research Promotion Program, no maturity date (Note 13c)	3 273 535	2 215 396
Stock purchase warrants		450 000
	88 759 395	66 940 481
Less:		
Allowance for doubtful loans		
Debentures and loans		
convertible	1 036 413	1 037 500
non convertible	22 000	200 000
Advances under the Research Promotion Program	1 770 396	452 000
Permanent decline in value of capital stock	12 474 778	9 133 572
	$73 455 808	$56 117 409

7. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net	Net
Furniture and equipment	$128 802	$86 521	$42 281	$50 926
Data processing equipment	121 306	89 749	31 557	34 720
Leasehold improvements	98 434	57 369	41 065	61 981
Office equipment	14 117	2 320	11 797	
	$362 659	$235 959	$126 700	$147 627

8. CAPITAL STOCK

The Act respecting the Société Innovatech Québec et Chaudière-Appalaches is notably designed to enable the Société to survive and to be endowed with an authorized partnership fund. On June 21, 2001, the National Assembly authorized the amendment of section 25 of the Act to raise the partnership capital from $75 000 000 to $150 000 000.

Shares in the partnership fund of the Société belong to the public domain and are allocated to the Minister of Finance.

	2002	2001
Authorized:		
1 500 000 common shares with a par value of $100 each (2001: 750 000 common shares)		
Issued and paid:		
949 830 common shares (2001: 663 830 common shares)	$94 983 096	$66 383 096

During the fiscal year, the Société issued 280 000 common shares for 28 600 000 in cash (2001: 110 000 common shares for $11 000 000 in cash).

9. CHANGE IN NON-CASH ITEMS LINKED TO OPERATIONS

	2002	2001
Change in accounts receivable	$(268 398)	$233 626
Increase in prepaid expenses	(10 895)	(13 372)
Change in accounts payable	(137 510)	192 949
	$(416 803)	$413 203

10. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements and measured at exchange value, the Société is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Société did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

11. COMMITMENTS

As at March 31, the Société's commitments with respect to financial support for initiatives are as follows:

	2002	2001
Investments:		
Common stock	$8 911 865	$4 485 287
Securities convertible into common shares		
Capital stock	2 120 000	990 000
Debentures and loans	2 835 049	5 481 667
Securities not convertible		
Capital stock		1 800 000
Debentures and loans	75 000	175 000
Advances under the Research Promotion Program	897 482	325 000
	$14 839 396	$13 256 954

The commitments represent investments authorized by the Société's board of directors that had not yet been disbursed at March 31, 2002. Depending on certain events, these amounts may not be paid out.

12. CONTINGENCIES

The Société expects to realize gains evaluated at $686 026 subsequent to the sale of assets in the past. It believes that these gains should materialize over the coming years.

13. FINANCIAL INSTRUMENTS

a) Fair value

The fair value of current financial instruments is equivalent to their book value given their short-term due dates.

The fair value of long-term financial instruments was determined internally using the valuation methods used in venture capital markets. These methods notably foresee having ordinary capital stock presented at the cost of acquisition, unless a concrete event, that is quantifiable and that has a significant impact on the value of enterprises justifies an increase or decrease in value. However, if these instruments remain at acquisition cost for a period exceeding 36 months due to absence of events, they will undergo in-depth valuation.

	2002			2001		
	%	Book value	Fair value	%	Book value	Fair value
Investments:						
Common stock	54.2	$39 788 102	$47 117 961	54.9	$30 821 730	$33 579 604
Securities convertible into common shares						
Capital stock	15.1	11 120 206	17 730 717	14.6	8 211 566	14 216 515
Debentures and loans	15.5	11 377 474	11 602 938	8.3	4 659 494	4 659 494
Securities not convertible						
Capital stock	0.7	540 000	540 000	0.9	500 000	500 000
Debentures and loans	2.8	2 050 999	2 050 999	4.3	2 385 335	2 385 335
Refundable contributions	9.6	7 075 888	7 075 888	13.1	7 325 888	7 325 888
Advances under the Research Promotion Program	2.1	1 503 139	1 503 139	3.1	1 763 396	1 763 396
Stock purchase warrants				0.8	450 000	450 000
	100.0	$73 455 808	$87 621 642	100.0	$56 117 409	$64 880 232

13. FINANCIAL INSTRUMENTS (cont'd)

b) Credit risk

The Société is exposed to the economic conditions affecting the sectors in which it carried out its activities. Investments fall into the following three sectors:

	2002	2001
Biotechnology and life sciences	29%	29%
Information technologies and telecommunications	48%	47%
Industrial technologies	23%	24%

During the fiscal year, the Société valuated its investments. It established its sustained value decreases based on the risk presented by the enterprises. According to management, there was no significant unposted risk as at March 31, 2002.

c) Interest-rate risk

The interest rates on the Société's investments and the risk to which it is exposed with regard to these interest rates are summarized in the following table:

	Interest-free ** **	Floating rate	Fixed rate until maturity ** *	Total
Debenture and convertible loans:				
Common stock				
maturing from 2002 to 2007	$400 000	$90 400	$8 616 987	$9 107 387
no maturity date		25 000	3 281 500	3 306 500
Debentures and non-convertible loans:				
maturing from 2002 to 2006			1 585 093	1 585 093
no maturity date	27 000		460 906	487 906
Refundable contributions:				
maturing in 2010 *	2 250 000			2 250 000
no maturity date *	4 825 888			4 825 888
Advances under the Research Promotion Program **	3 273 535			3 273 535
	$10 776 423	$115 400	$13 944 486	$24 836 309

* Refundable in the form of a royalty on sales.

** In the case of technology transfers to existing or future companies, the advance is either repaid or accounted for in stock ownership according to a formula as yet to be determined.

*** Interest rates vary between 8 and 15% and, in certain cases, fees may be payable.

**** Debentures and loans convertible into interest-free common shares have a redemption premium.

14. COMPARATIVE FIGURES

Certain 2001 figures were reclassified for consistency with the presentation adopted in 2002.

SOCIÉTÉ INNOVATECH QUÉBEC ET CHAUDIÈRE-APPALACHES

MANAGEMENT'S REPORT

The financial statements of the Société Innovatech Québec et Chaudière-Appalaches were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that the assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements. The internal audit and investigations department carries out audits periodically to ensure that the internal controls applied regularly by the Société are appropriate and consistent.

The Société recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it. The board of directors oversees the manner in which management performs its financial reporting duties, and has approved the financial statements for the fiscal year ended March 31, 2002.

The Auditor General of Québec has audited the Société's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the audit committee to discuss any matter related to the audit.

Francine Laurent
President and Chief Executive Officer

Québec, June 5, 2002

AUDITOR'S REPORT

To the Minister of Finance

I have audited the balance sheet of the Société Innovatech Québec et Chaudière-Appalaches as at March 31, 2002 and the statements of results and deficit and cash flows for the year then ended. These financial statements are the responsibility of Société management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Société's financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, June 5, 2002

SOCIÉTÉ INNOVATECH RÉGIONS RESSOURCES
(R.S.Q., c. S-17.5)

RESULTS AND RETAINED EARNINGS INCOME
for the year ended March 31, 2002

	2002	2001
REVENUE		
Gouvernement du Québec subsidy	$900 000	$900 000
Investment income	1 103 716	378 624
Gain on disposal of investments	56 250	
Interest on short-term investments	362 835	240 001
Management fees	260 075	98 906
	2 682 876	1 617 531
EXPENDITURE		
Operating expenses:		
Salaries and fringe benefits	570 923	333 221
Professional and contractual services	183 252	144 518
Rent	44 419	40 269
Advertising and promotion	43 570	36 475
Travelling and business development	138 163	90 474
Office expenses	68 522	57 084
Communications	18 009	13 911
Recruitment costs	7 248	991
Depreciation of fixed assets	38 692	18 195
	1 112 798	735 138
Permanent decline in value of capital stock	1 179 861	559 223
Doubtful loans	51 323	106 428
Investment write-off		200 000
	1 231 184	865 651
	2 343 982	1 600 789
NET INCOME	338 894	16 742
RETAINED EARNINGS, BEGINING OF YEAR	407 905	391 163
RETAINED EARNINGS, END OF YEAR	$746 799	$407 905

SOCIÉTÉ INNOVATECH RÉGIONS RESSOURCES

BALANCE SHEET
as at March 31, 2002

	2002	2001
ASSETS		
Current assets		
Cash on hand	$6 255 762	$5 570 679
Short-term investments (Note 3)	3 444 071	3 604 587
Accounts receivable (Note 4)	420 173	130 595
Prepaid expenses	8 827	10 446
	10 128 833	9 316 307
Investments (Notes 5 and 11)	23 553 372	11 975 618
Fixed assets (Note 6)	159 040	162 820
	$33 841 245	$21 454 745
LIABILITIES		
Current liabilities		
Accounts payable (Note 7)	$94 446	$46 840
SHAREHOLDER'S EQUITY		
Capital stock (Note 8)	33 000 000	21 000 000
Retained earnings	746 799	407 905
	33 746 799	21 407 905
	$33 841 245	$21 454 745

COMMITMENTS (Note 10)

On behalf of the Board of Directors,
Yvon Lévesque, President
Ghislain Blanchet, President and Chief Executive Officer

SOCIÉTÉ INNOVATECH RÉGIONS RESSOURCES

CASH FLOW
for the year ended March 31, 2002

	2002	2001
OPERATING ACTIVITIES		
Net income	$338 894	$16 742
Adjustments for:		
Depreciation of fixed assets	38 692	18 195
Capitalized interest in investments	(67 208)	
Permanent decline in value of capital stock	1 179 861	559 223
Doubtful loans	51 323	106 428
Investment write-off		200 000
Gain on disposal of investments	(56 250)	
	1 485 312	900 588
Change in non-cash items linked to operations		
Increase in receivables	(298 812)	(111 645)
Change in prepaid expenses	1 619	(8 126)
Change in payables	47 606	(10 099)
	(249 587)	(129 870)
Cash flows provided by operating activities	1 235 725	770 718
INVESTMENT ACTIVITIES		
Acquisition of fixed assets	(34 912)	(142 293)
Acquisition on investments	(14 363 243)	(7 987 313)
Recovery of investments	1 630 747	86 044
Proceeds from the disposal of investments	56 250	
Cash flows used for investment activities	(12 711 158)	(8 043 562)
FINANCING ACTIVITIES		
Cash flows provided by financing activities:		
Capital stock issue	12 000 000	13 000 000
INCREASE IN CASH AND CASH EQUIVALENTS	524 567	5 727 156
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9 175 266	3 448 110
CASH AND CASH EQUIVALENTS, END OF YEAR	$9 699 833	$9 175 266
Cash on hand	$6 255 762	$5 570 679
Short-term investments	3 444 071	3 604 587
Cash and equivalents, end of year	$9 699 833	$9 175 266

SOCIÉTÉ INNOVATECH RÉGIONS RESSOURCES

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

The Société Innovatech Régions ressources is a legal person established in the public interest incorporated by the legislation governing it, i.e. the Act respecting Société Innovatech Régions ressources (R.S.Q., c. S-17.5). The Société's mission is to promote and support initiatives likely to increase the capacity for technical innovation on the territory defined in its incorporating Act and, thereby, to enhance Québec's competitiveness and economic growth, while ensuring a rate of return enabling it to continue its activities.

The Société defines itself as a venture capital agency; in other words, its investment commitments take the form of leveraged investments in companies with strong growth potential.

2. ACCOUNTING POLICIES

The financial statements of the Société were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Cash and cash equivalents

The Société's policy consists in presenting under cash and cash equivalents bank balances and short-term investments maturing within three months of the date they were acquired.

Investments

Investments are recorded at cost after deducting any permanent decline in value or allowance for doubtful loans, as the case may be. Certain securities include the capitalized proceeds when this situation is provided for by agreement.

Allowance for doubtful loans

When it is established that there are risks regarding recovery of loans, the accounting values are considered to correspond to their estimated disposable value. When the amounts and time of disposal for future cash flows cannot be estimated relatively reasonably, the estimated disposal values are measured according to the market prices observable for these loans or based on management's judgement.

3. SHORT-TERM INVESTMENTS

	2002	2001
Banker's acceptance 4.94%, maturing on April 11, 2001		$3 604 587
Commercial paper 2.9%, maturing on April 5, 2002	$2 989 740	
Commercial paper 2.15%, maturing on April 8, 2002	454 331	
	$3 444 071	$3 604 587

Fixed assets

Fixed assets are recorded at cost and depreciated over their useful lives on a straight-line basis:

Leasehold improvements	10 years
Furniture and equipment	6 years
Data processing equipment	3 years

SOCIÉTÉ INNOVATECH RÉGIONS RESSOURCES

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

4. RECEIVABLE

	2002	2001
Interest receivable on investments	$312 897	$84 492
Interest receivable on short-term investments	9 154	8 293
Other	98 122	37 810
	$420 173	$130 595

* Interest in the amount of $9 234 was converted to an investment during the fiscal year.

5. INVESTMENTS

	2002	2001
Common stock:		
- Private corporations	$8 469 018	$4 800 633
- Public corporation (stock market valuation $169 355)	350 000	350 000
Securities convertible into common shares		
Debentures and loans (Note 11c)	185 350	185 350
Preferred capital stock		
(maturing between April 2002 and September 2009)	200 000	
Securities not convertible into common shares		
Preferred capital stock		
no maturity date	1 732 458	549 600
Debentures and loans (Note 11c)	12 105 631	4 224 258
Refundable contribution (Note 11c)		
maturing in 2011	2 250 000	2 500 000
Doubtful loans		
Non-convertible debentures and loans	51 323	
Advance under a research development project		106 428
	25 343 780	12 716 269
Less:		
Provision for doubtful loans		
Non-convertible debentures and loans	51 323	
Advances under a research development projects		106 428
Permanent decline in value of capital stock	1 739 085	634 223
	1 790 408	740 651
	$23 553 372	$11 975 618

6. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net	Net
Leasehold improvements	$111 686	$14 477	$97 209	$106 991
Furniture and equipment	38 787	10 897	27 890	30 069
Equipment and data processing equipment	73 596	39 655	33 941	25 760
	$224 069	$65 029	$159 040	$162 820

7. PAYABLES

	2002	2001
Supplies and accrued costs	$94 446	$46 777
Owing to Société Innovatech Québec et Chaudière-Appalaches		63
	$94 446	46 840

8. CAPITAL STOCK

The Act respecting the Société Innovatech Régions ressources is designed to enable the Société to continue and to have a authorized partnership capital of $50 000 000. Shares in the partnership fund of the Société belong to the public domain and are allocated to the Minister of Finance.

	2002	2001
Authorized:		
500 000 common shares with a par value of $100 each		
Issued and paid:		
330 000 common shares (210 000 common shares in 2001)	$33 000 000	$21 000 000

During the fiscal year, the Société issued 120 000 common shares for an amount of $12 000 000 in cash. (In 2001, 130 000 common shares for an amount of $13 000 000 in cash). Under Bill 87 tabled in the National Assembly on April 30, 2002, the Société's authorized partnership capital could be increased to $100 000 000.

9. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements and measured at exchange value, the Société is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Société did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

10. COMMITMENTS

1) As at March 31, 2002, the Société's commitments with respect to financial support for initiatives were as follows:

	2002	2001
Investments:		
Common stock	$6 718 333	$1 624 667
Securities convertible into common shares		
Preferred capital stock	250 000	50 000
Debentures and loans	7 620 000	3 242 000
Advances under research development projects		43 572
	$14 588 333	$4 960 239

Commitments represent investments authorized by the Société's board of directors and not disbursed as at March 31, 2002. Due to certain circumstantial events, it might not be possible to pay out these amounts.

2) Under long-term lease contracts for a business office and office equipment ending December 1, 2003, the Société has committed itself to paying $109 464. The minimum payments for the next three fiscal years are: $44 808 in 2003, $43 956 in 2004 and $20 700 in 2005.

11. FINANCIAL INSTRUMENTS

a) Fair value

The fair value of current financial instruments is equivalent to their book value given their short-term due dates. The fair value of long-term financial instruments was determined internally using the valuation methods used in venture capital markets. These methods notably foresee having the ordinary capital stock presented at the cost of acquisition, unless a concrete event, that is quantifiable and that has a significant impact on the value of enterprises justifies an increase or decrease in value. However, if these instruments remain at the cost of acquisition for a period exceeding 36 months due to absence of events, they will undergo in-depth valuation.

For fixed revenues, the method provides for discounting cash flows only when the rate of return are lower than the discount rate. If the rate of return is higher, the fair value remains the acquisition cost unless a concrete event justifies a decrease in value.

	2002			2001		
	%	Book value	Fair value	%	Book value	Fair value
Investments:						
Common stock	30.0	$7 079 933	$7 919 523	37.7	$4 516 410	4 516 410
Securities convertible into common shares						
Debentures and loans	0.8	185 350	185 350	1.5	185 350	185 350
Preferred capital stock	0.8	200 000	200 000			
Securities not convertible into common shares						
Preferred capital stock	7.4	1 732 458	1 632 458	4.6	549 600	549 600
Debenture and loans	51.4	12 105 631	12 105 631	35.3	4 224 258	4 224 258
Refundable contribution	9.6	2 250 000	2 250 000	20.9	2 500 000	2 640 121
Advances under research development projects						
	100.0	$23 553 372	$24 292 962	100.0	$11 975 618	$12 115 739

b) Credit risk

The Société is exposed to the economic conditions affecting the sectors in which it carried out its activities. Investments are as follows:

	2002	2001
Biotechnology and life sciences	15%	29%
Information technologies and telecommunications	14%	20%
Industrial technologies	71%	51%

During the fiscal year, the Société valuated its investments. It established its sustained value decreases based on the risk presented by the enterprises. According to management, there was no significant unposted risk as at March 31, 2002.

c) Interest-rate risk

The interest rates on the Société's investments and the risk to which it is exposed with regard to these interest rates are summarized in the following table:

	Interest-free	Fixed rate until maturity	Total
Debentures and loans convertible into capital - common shares		$185 350	$185 350
Debentures and loans non convertible into capital-common shares		12 105 631	12 105 631
Contribution repayable as royalties on sales	$2 250 000		2 250 000
	$2 250 000	$12 290 981	$14 540 981

- Mean effective interest rate: 12.90 %.
- Interest rates vary between 8 and 20% and, in certain cases, fees may be payable.

12. COMPARATIVE FIGURES

Certain 2001 figures were reclassified for consistency with the presentation adopted in 2002.

SOCIÉTÉ INNOVATECH RÉGIONS RESSOURCES

MANAGEMENT'S REPORT

The financial statements of the Société Innovatech Régions ressources were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Société recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors oversees the manner in which management performs its financial reporting duties, and has approved the financial statements.

The Auditor General of Québec has audited the Société's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the board of directors to discuss any element concerning his audit.

Ghislain Blanchet
President and Chief Executive Officer

Québec, May 31, 2002

AUDITOR'S REPORT

To the Minister of Finance

I have audited the balance sheet of the Société Innovatech Régions ressources as at March 31, 2002 and the statements of results and retained earnings and cash flows for the period then ended. These financial statements are the responsibility of Société management. My responsibility is to express an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Société's financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, May 31, 2002

SOCIÉTÉ NATIONALE DE L'AMIANTE
(R.S.Q., c. S-18.2)

INCOME AND DEFICIT
for the years ended March 31
(in thousands of dollars)

	2002	2001
INCOME		
Interest	22	55
Lawsuit settlement	252	
	274	55
Administrative expenses	272	343
Expenses relating to a lease commitment	40	38
Professional services	198	260
	510	641
NET LOSS	(236)	(586)
DEFICIT, BEGINNING OF YEAR	(155 290)	(154 704)
DEFICIT, END OF YEAR	(155 526)	(155 290)

The notes are an integral part of the financial statements.

SOCIÉTÉ NATIONALE DE L'AMIANTE

BALANCE SHEETS
as at March 31
(in thousands of dollars)

	2002	2001
ASSETS		
Current assets		
Cash on hand	71	140
Short-term investment (Note 3)	564	667
Accounts receivable	1	
	636	807
Investments (Note 4)	2 312	2 437
	2 948	3 244
LIABILITIES		
Current liabilities		
Accounts payable	85	145
Advance from a subsidiary, interest-free	20	20
	105	165
SHAREHOLDER'S EQUITY		
Capital stock (Note 5)	158 369	158 369
Deficit	(155 526)	(155 290)
	2 843	3 079
	2 948	3 244

CONTINGENCIES (Note 6)

On behalf of the Board of Directors,
Benoît Cartier, Director

The notes are an integral part of the financial statements.

SOCIÉTÉ NATIONALE DE L'AMIANTE

CASH FLOWS
for the years ended March 31
(in thousands of dollars)

	2002	2001
OPERATING ACTIVITIES		
Net loss	(236)	(586)
Items not affecting cash:		
Share in the loss of a subsidiary		1
	(236)	(585)
Net change in non-liquid assets working capital items	(61)	39
	(297)	(546)
INVESTMENT ACTIVITY		
Encashment of investment	125	125
DECREASE IN CASH AND CASH EQUIVALENTS	(172)	(421)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	807	1 228
CASH AND CASH EQUIVALENTS, END OF YEAR	635	807

The Société's cash and cash equivalents comprise the following:

Cash on hand	71	140
Short-term investment	564	667
	635	807

The notes are an integral part of the financial statements.

SOCIÉTÉ NATIONALE DE L'AMIANTE

NOTES TO FINANCIAL STATEMENTS
March 31, 2002 and 2001
(in thousands of dollars)

1. LEGAL STATUS

The Société nationale de l'amiante (SNA) is a government enterprise wholly owned by the Gouvernement du Québec. It was established by the Act respecting the Société nationale de l'amiante (R.S.Q., c. S-18.2) and holds investments in an inoperative enterprise.

2. SIGNIFICANT ACCOUNTING POLICIES

Continuing operations

The financial statements of the Société were prepared using accounting principles applicable to an operative enterprise.

Given that the Société has posted an operating loss for the past few years, it would be impossible for it to meet its financial obligations should the Gouvernement du Québec decide to withdraw its financial support.

If the continuing operations assumption is not suitable for the present financial statements, adjustments will have to be made to the book value assigned to the assets and liabilities, revenue and expenditure shown and classifications used in the balance sheet.

Investment

The Société holds 100% of the shares of the subsidiary Mines SNA Inc. This investment is recorded on an equity basis given that the subsidiary is inoperative. Consolidated financial statements would provide no useful supplementary information. The investment portfolio is recorded at cost.

Allowance for loss on investments

The allowance for loss on investments is established on the basis of individual investments and is calculated according to the terms of the contracts between the parties.

Government subsidies

The Gouvernement du Québec provides financial assistance to enable the Société to meet its financial obligations and those of its subsidiary.

The amount of this financial assistance is entered under "deficiency grant" in the statement of income and is used to finance the Société's operating loss. No financial assistance was awarded the Société during the fiscal years ended March 31, 2002 and 2001.

Use of estimates

Preparation of financial statements in keeping with the accounting principles generally accepted in Canada requires management to use estimates and assumptions that affect the assets and liabilities posted, presentation of potential assets and liabilities posted at the date of the financial statements, and proceeds and charges posted during the fiscal year. The real results might differ from the estimates.

Income tax

Since all of the Société's shares are held by the Gouvernement du Québec, the Société nationale de l'amiante is exempt from income tax, as is its wholly-owned subsidiary.

Cash and cash equivalents

The Société's cash and cash equivalents comprise cash and easily convertible financial instruments maturing within three months or less.

3. SHORT-TERM INVESTMENT

Commercial paper maturing April 23, 2002, interest rate of 1.8% (2001: 5.15%), recorded at cost.

4. INVESTMENTS

	2002	2001
Non-consolidated subsidiary	87	87
Other investments		
Note receivable following the sale of subsidiary, interest-free, receivable starting in December 1999 in annual instalments equal to 30% of funds generated by the purchaser or $125 000, whichever is greater	2 225	2 350
Preferred Category C shares in Les Technologies Fibrox Ltée	500	500
	2 812	2 937
Provision for lasting drop in value of preferred shares	500	500
	2 312	2 437

5. CAPITAL STOCK

	2002	2001
Authorized		
250 000 common shares with a par value of $1 000 each		
Issued		
158 369 common shares	158 369	158 369

In accordance with the Act respecting the Société nationale de l'amiante, all of the Société's shares are part of the public domain and are assigned to the Minister of Finance of the Gouvernement du Québec.

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002 and 2001
(in thousands of dollars)

6. CONTINGENCIES

Cases before the securities commissions

Complaints were filed with the Ontario Securities Commission and the Commission des valeurs mobilières du Québec by a committee comprised of a number of minority shareholders of Asbestos Corporation Limited. The complaints allege that the SNA should have offered to buy all Asbestos Corporation Limited shareholders' stock on terms similar to those offered to General Dynamics Corporation (GD) for the purchase of shares in the private enterprise Mines SNA Inc., which controlled Asbestos Corporation Limited. Both commissions called hearings to hear each party's side of the issue.

The Commission des valeurs mobilières du Québec ruled that the Société nationale de l'amiante enjoys Crown immunity and, therefore, the provisions regarding public bids in Québec's Securities Act do not apply to it. This ruling was appealed. The appeal was heard on March 18, 1993 and the Court of Québec decided that the case had to return to the Commission so that it could make a decision in accordance with Québec's Securities Act. In a ruling handed down on April 22, 1999, the Court of Québec upheld this decision. The Commission des valeurs mobilières du Québec inquiry was scheduled for early June 2002.

In July 1994, the Ontario Securities Commission rejected the claim filed by the minority shareholders of Asbestos Corporation Limited. The shareholders appealed this decision before the Divisional Court of Ontario in August 1994. The case was argued before the Court in fall 1996. On May 2, 1997, the Divisional Court of Ontario ruled in favour of the committee comprised of minority shareholders. Both the SNA and the Ontario Securities Commission applied for leave to appeal this decision before the Ontario Court of Appeal. The appeal was heard before three judges of the Ontario Court of Appeal on March 30 and 31, 1998. In a unanimous ruling handed down on February 18, 1999, the Court of Appeal for Ontario granted the appeal and reinstated the ruling of the Ontario Securities Commission. On April 15, 1999, the committee comprising minority shareholders asked for authorization for a provision before the Supreme Court of Canada. This request for authorization to provide received the backing of the Supreme Court of Canada on January 27, 2000. In its June 7, 2001 decision, the Supreme Court rejected the minority shareholders' appeal and reinstated the Ontario Securities Commission's ruling, thereby closing the case.

Class action

In May 1988, the Société and several other respondents were summoned before the Supreme Court of Ontario by a number of minority shareholders in Asbestos Corporation Limited with regard to damages and the redemption of their shares on terms similar to those offered to General Dynamics Corporation for the purchase of shares in Mines SNA Inc. The Société has contested these proceedings, which are still in the preliminary stages.

Petition before the Québec Superior Court

In June 1995, the minority shareholders in Asbestos Corporation Limited filed a petition with the Québec Superior Court under section 241 of the Canada Business Corporations Act. They are claiming redress for the alleged oppression suffered at the hands of the Société nationale de l'amiante, in particular, which is a respondent in the case.

In response to a motion for dismissal filed by the Société, the court granted a suspension on the shareholders' petition until a final judgement is rendered in the other proceedings before the Québec and Ontario securities commissions (supra).

SOCIÉTÉ NATIONALE DE L'AMIANTE

AUDITORS' REPORT

To the Minister responsible for the
Société nationale de l'amiante,

We have audited the balance sheets of the Société nationale de l'amiante as at March 31, 2002 and 2001 and the statements of income and deficit and cash flows for the years then ended. These financial statements are the responsibility of Société management. Our responsibility consists in expressing an opinion on these financial statements based on our audits.

Our audits were conducted in accordance with the auditing standards that are generally accepted in Canada. They require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In our opinion, these financial statements present fairly, in all material respects, the Société's financial position as at March 31, 2002 and 2001 and the results of its operations and cash flows for the years then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Arthur Andersen, srl
Chartered Accountants

May 7, 2002
Montréal, Canada

SOCIÉTÉ QUÉBÉCOISE D'ASSAINISSEMENT DES EAUX
(R.S.Q., c. S-18.2.1)

REVENUE AND EXPENDITURE
for the year ended March 31, 2002
(in thousands of dollars)

	2002	2001
REVENUE		
Management fees (Note 3)	813	3 689
Gouvernement du Québec subsidy	1 720	
Financial revenue	242 451	275 711
Other revenue	348	
	245 332	279 400
EXPENDITURE		
Salaries and fringe benefits (Note 4)	2 260	2 837
Transportation and communications	174	307
Information system	79	91
Professional, administrative and other services	151	355
Repairs and maintenance	18	9
Rental	238	361
Supplies	14	21
Financial expenses (Note 5)	242 413	275 538
	245 347	279 519
Expenses charged to receivables	15	119
	245 332	279 400

SOCIÉTÉ QUÉBÉCOISE D'ASSAINISSEMENT DES EAUX

BALANCE SHEET
as at March 31, 2002
(in thousands of dollars)

	2002	2001
ASSETS		
Current assets		
Cash on hand	3 473	526
Accounts receivable	84 285	101 628
Gouvernement du Québec subsidy	1 720	37 745
Gouvernement du Québec receivable (Note 6)	93 650	
Receivable from the municipalities (Note 6)	18 107	15 449
Prepaid expenses	31	212
	201 266	155 560
Gouvernement du Québec long-term receivables (Note 6)	2 764 453	2 848 407
Long-term receivables from the municipalities (Note 6)	312 972	332 615
Unbilled completed works	5 238	6 968
	3 283 929	3 343 550
LIABILITIES		
Current liabilities		
Account payable and accrued liabilities	93 384	94 983
Repayment of long-term debt (Note 8)	111 757	53 194
	205 141	148 177
Account payable and accrued liabilities on completed works	5 451	7 375
Long-term debt (Note 8)	3 067 658	3 181 951
Deferred revenue	2 719	2 984
Other liabilities items	2 960	3 063
	3 283 929	3 343 550

COMMITMENTS AND CONTINGENCIES (Notes 9 and 10)

On behalf of the Board,
Gilles Bégin
Maurice Masse

SOCIÉTÉ QUÉBÉCOISE D'ASSAINISSEMENT DES EAUX

CASH FLOWS
for the year ended March 31, 2002
(in thousands of dollars)

	2002	2001
OPERATING ACTIVITIES		
Revenue and expenditure items not affecting liquid assets		
Transfer to deferred revenue	(265)	(3 062)
Amortization of the discount (premium) on the long-term debt	(70)	268
	(335)	(2 794)
Changes in non-cash working capital		
Decrease in accounts receivable	17 343	11 920
Increase in Gouvernement du Québec Subsidy receivable	(1 720)	
Change in prepaid expenses	181	(115)
Change in accounts payable and accrued liabilities	(1 599)	(12 031)
	14 205	(226)
Cash flows related to operating activities	13 870	(3 020)
INVESTING ACTIVITIES		
Amount charged to long-term receivables and unbilled completed works	(11 424)	(18 269)
Receipts on long-term receivables	58 188	110 056
Cash flows related to investing activities	46 764	91 787
FINANCING ACTIVITIES		
Repayment of accounts payable and accrued liabilities on completed works	(1 924)	(5 443)
Long-term debt	464 967	322 325
Repayment of long-term debt	(520 730)	(405 807)
Cash flows related to financing activities	(57 687)	(88 925)
NET INCREASE IN CASH ON HAND	2 947	(158)
CASH ON HAND, BEGINNING OF YEAR	526	684
CASH ON HAND, END OF YEAR	3 473	526

SOCIÉTÉ QUÉBÉCOISE D'ASSAINISSEMENT DES EAUX

NOTES TO FINANCIAL STATEMENTS
March 31, 2002
(in thousands of dollars)

1. IDENTIFICATION, OBJECTIVES AND FINANCING

The Société québécoise d'assainissement des eaux, a corporation within the meaning of the Civil Code constituted by special act (R.S.Q., c. S-18.2.1) has the following objectives, among others:

- to design, construct, improve, enlarge, start-up, finance or operate water purification works for the needs of municipalities or to carry out rehabilitation work on municipal sewerage systems;
- to carry out studies on the rehabilitation of municipal sewerage systems;
- to carry out other studies in matters of sewerage and water purification;
- to finance development works on the beds, including the banks or shores and the land bordering thereon, of lakes or watercourses;
- to finance works which control the water-level of lakes or watercourses;
- to design, construct, improve, enlarge, start-up or finance sewerage or water systems or drinking water treatment facilities for the needs of the territory chosen by the Government and located on the North Coast of the Gulf of St-Lawrence;
- to export its expertise in water resources engineering acquired in Québec, mainly by promoting, providing goods and services, and by encouraging the development of Québec's industrial and technological potential in this field;
- to act as an adviser to municipalities in the construction and operation of water purification works;
- to provide technical and professional management assistance to municipalities for the construction of water purification works;
- to develop projects for the transfer and dissemination of new technologies relating to water purification and drinking water treatment and, with the authorization of the Minister of Municipal Affairs, to carry out those projects.

The Société québécoise d'assainissement des eaux is a governmental corporation which is non-profit oriented.

The Société bills the Gouvernement du Québec on behalf of municipalities and the municipalities for studies and water purification and water and sewerage works it executes and for the financing of some works realized by municipalities.

The Société retains ownership of the works until they are handed over to the municipalities. These works are handed over when definitive delivery procedures of treatment plants are completed even though other costs may be incurred.

2. ACCOUNTING POLICIES

The financial statements of the Société have been prepared by management using the accounting principles that are generally accepted in Canada. These statements include amounts based on best judgements and estimates.

Management fees

Management fees are established based on a percentage of the cost of water purification, sewerage, water and other works.

- Billing

  Management fees are billed in relation to the execution of the Société's mandate, which covers the period of works completion as well as the period of debt management and financing related to these works.

  Management fee revenues for water purification works are billed as follows:

  · In relation to expenses incurred for studies;

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002
(in thousands of dollars)

2. ACCOUNTING POLICIES (cont'd)

Management fees (cont'd)

- Billing (cont'd)

  · According to a uniform allocation over the estimated completion period (term basis) for the works.

For other works, including water and sewerage, management fee revenues are billed based on a percentage of the cost of works completed.

- Deferred revenue

  The Société is unable to accurately establish management fees earned yearly over the entire duration of its mandate.

  Therefore, the Société transfers to deferred revenue the annual excess revenue over expenses or, deducts from deferred revenue an amount equal to the annual excess expenses over revenue in order to cover this deficiency.

Long-term receivables

Long-term receivables, to be collected from the Gouvernement du Québec on behalf of municipalities and from municipalities, include expenses charged to water purification, water and sewerage works, and the financing of the watercourse bank development works and other works realized by municipalities, net of reimbursements received.

Other liabilities items

Costs related to hedging the foreign exchange risk on long-term debts issued in foreign currencies as well as long-term debt discount and issue expenses are deferred. These items are amortized according to the effective rate over the term of the loan.

Redemption fund for the long-term debt

The Société created a fund from the periodic remittals of principal from the municipalities for the reimbursement of the long-term debt.

The sums accumulated are earning interest; they are used to temporarily reduce the short-term borrowings.

Accounts payables and accrued liabilities on completed works

The accounts payable and accrued liabilities on the completed works are presented as long-term, because they will be financed in the long term.

Currency conversion

The long-term debts issued in foreign currency are converted at the rate of the financial instruments for hedging a foreign exchange risk.

Pension plans

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the Société lacks sufficient information to apply the accounting procedure for defined-benefit plans.

3. MANAGEMENT FEES

	2002	2001
Management fees billed	548	627
Transfer to deferred revenue	265	3 062
	813	3 689

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002
(in thousands of dollars)

4. SALARIES AND FRINGE BENEFITS

This item includes $907 000 (2001: $643 000) paid by the Société during the fiscal year for severance pay.

5. FINANCIAL EXPENSES

	2002	2001
Interest on bonds and notes payable	222 236	238 553
Amortization of the discount (premium) of the long-term debt	(70)	268
Loan guarantee costs	6 310	7 705
Interest on short-term borrowings	13 937	29 012
	242 413	275 538

The interest paid by the Société for the fiscal year amounts to $231 189 937 (2001: $276 895 453).

The interest expenses for borrowings contracted with the Gouvernement du Québec Financing Fund were $99 061 101 (2001: $78 039 718).

6. LONG-TERM RECEIVABLES

	2002	2001
Gouvernement du Québec	2 858 103	2 886 152
Current portion	93 650	37 745
	2 764 453	2 848 407
Municipalities	331 079	348 064
Current portion	18 107	15 449
	312 972	332 615

The interest rate on long-term receivables is the same as the one the Société pays on its long-term debt. Receivables mature on the following terms:

Water purification studies	
Municipalities	5 years
Gouvernement du Québec	25 years
Studies and water and sewerage works	10 years
Water purification works	
Municipalities	20 years
Gouvernement du Québec	25 years

The municipalities reimburse their accounts payable to the Société on every interest payment.

The Government reimburses its accounts payable when the long-term debt matures for an amount equal to the unfinanced portion of its accounts payable.

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002
(in thousands of dollars)

7. BANK BORROWING

As at March 31, 2002, the Société had an authorized bank credit line of $1 000 000 via a demand loan agreement at the projected base interest rate for stockbrokers plus 0.50%. This credit line is renewable annually on September 30.

8. LONG-TERM DEBT

Bonds and notes payable (a), (b)

Maturity	Canadian dollars	United States dollars	Yens	Eurodollars	2002	2001
2002						279 102
2003	398 836				398 836	398 836
2004	539 826			100 000	639 826	639 826
2005	100 000	100 000	69 833		269 833	269 833
2006	235 000			143 788	378 788	378 788
2007	225 000			174 446	399 446	
1 to 5 years	1 498 662	100 000	69 833	418 234	2 086 729	1 966 385
6 to 10 years	780 855				780 855	715 301
11 to 20 years	50 000				50 000	50 000
	2 329 517	100 000	69 833	418 234	2 917 584	2 731 686
Short-term borrowings (c)					261 831	503 459
					3 179 415	3 235 145
Instalments due within one year					111 757	53 194
					3 067 658	3 181 951

(a) Principal and interest on bonds and notes are guaranteed by the Gouvernement du Québec. At maturity, most of these debts will be refinanced on a long-term basis. An amount of $1 655 680 927 (2001: $ 1 190 680 927) was contracted from the Gouvernement du Québec Financing Fund.

(b) Principal and interest on bonds and notes issued in foreign currencies are hedged by currency and interest rate exchange agreements (swaps).

The swaps are done directly with the Gouvernement du Québec and the risks related to them are guaranteed by the Province de Québec.

The variations in cash related to these transactions are in Canadian dollars.

(c) Short-term borrowings not guaranteed by the Gouvernement du Québec will be financed in the long term once the financing terms have been completed. They bear an average interest rate about 154 base points lower than the Canadian charter banks' prime rate. An amount of $95 400 000 (2001: $211 600 000) was contracted from the Gouvernement du Québec's Financing Fund.

The total fund available for reimbursement of the long-term debt is $62 917 795 as at March 31, 2002 (2001: $58 493 741). These funds have been used to reduce the short-term borrowings.

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002
(in thousands of dollars)

8. LONG-TERM DEBT (cont'd)

The interest rate on bonds and notes presented in the following chart included the interest rate contracted on debts, discounts and all cost related to the issues.

Maturity	Canadian dollars	United States dollars	Yens	Eurodollars	2002 Average weighed	2001 Average weighed
1 to 5 years	7.64	9.67	9.89	8.33	7.95	8.41
6 to 10 years	6.13				6.13	6.59
11 to 20 years	10.25				10.25	10.25
Weighted average	7.19	9.67	9.89	8.33	7.51	7.97

9. COMMITMENTS

The commitments arising from the latest estimates issue from the agreements concluded with the municipalities and the Gouvernement du Québec regarding the completion and financing of works, are as follows:

	2002	2001
Works to be completed according to signed	3 725 675	3 732 080
Works completed	3 722 067	3 710 642
Balance to be completed	3 608	21 438

The Société has assumed leases commitment expiring at various dates until September 30, 2002 for administrative premises. Rental expenditure for this fiscal year for these premises amounts to $208 795.

10. CONTINGENCIES

As at March 31, 2002, claims and lawsuits from various suppliers amount to $15.06 millions. The Société contests these disputes arising from work execution contracts. The Société's legal counsel is of the opinion that neither the possible outcome nor the amount of possible settlement, if any, can be foreseen. However, a provision for claims payable has been estimated by Société management. This provision is presented in the accounts payable and accrued liabilities on completed works. Any amount the Société has to disburse to settle these disputes will be billed to the Gouvernement du Québec on behalf of the municipalities and to the municipalities.

11. RELATED OPERATIONS

Besides the related operations already disclose in the Financial Statements, the Société is related with government department, special funds, agencies and enterprises directly or indirectly controlled by the Gouvernement du Québec or subject to joint control or significant influence by the Gouvernement du Québec. The Société did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements and recorded at exchange value.

12. PENSION PLANS

The staff members of the Société participate in the Government and Public Employees Retirement Plan (RREGOP) and the Pension Plan of Management Personnel (PPMP). These are interenterprise defined-benefit plans and include guaranteed payments upon retirement and death.

The Société's contributions charged to the year-end statement amount to $32 894 (2001: $45 331). The Société's liability towards this Government plan is restricted to its contributions as an employer.

SOCIÉTÉ QUÉBÉCOISE D'ASSAINISSEMENT DES EAUX

MANAGEMENT'S REPORT

The financial statements of the Société québécoise d'assainissement des eaux were drawn up by the management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that the assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Société recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors oversees the manner in which management performs its financial reporting duties, and has approved the financial statements.

The Auditor General of Québec has audited the Société's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the audit committee to discuss any matter related to the audit.

Gilles Bégin, P. Eng.
President

Marc Pinsonnault, L.L.B., B.Sc.
Vice-President, Administration & General Secretary

Montréal, June 7, 2002

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Société québécoise d'assainissement des eaux as at March 31, 2002 and the statements of revenue and expenditure and cash flows for the year then ended. These financial statements are the responsibility of Société management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Société's financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec,

Québec, June 7, 2002

SOCIÉTÉ QUÉBÉCOISE DE RÉCUPÉRATION ET DE RECYCLAGE (RECYC-QUÉBEC)
(R.S.Q., c. S-22.01)

REVENUE AND EXPENDITURE AND EQUITY
for the year ended March 31, 2002

	2002	2001
REVENUE		
Gouvernement du Québec subsidies (Note 13)	$748 508	$1 000 470
Green tax on tires	20 514 805	20 018 889
Royalty – bottlers and brewers	806 737	746 204
Fines – bottlers (Note 15)	1 044 799	
Investments	1 297 816	672 424
Contributions from industrial organizations (Note 3)	89 249	
Other	46 128	157 911
	24 548 042	22 595 898
EXPENDITURE		
Deposits – net (Note 4)		
(Surplus) – soft drink containers and other	(258 465)	(102 629)
Management fees	169 115	170 434
Used-tire program (Note 5)		
Management fees	1 480 349	991 569
Non-refundable contributions	12 415 313	10 610 094
Non-refundable contributions		
Education and awareness	371 976	374 742
Research and development	301 442	409 522
Composting	461 012	312 557
Recovery on financial interest on loan guarantees	(310 938)	(13 063)
Salaries and fringe benefits	1 126 687	1 076 331
Operations (Note 6)	627 955	429 739
Awareness campaign	759 428	198 483
	17 143 874	14 457 779
EXCESS REVENUE OVER EXPENDITURE	7 404 168	8 138 119
EQUITY, BEGINNING OF YEAR	14 802 844	6 664 725
EQUITY, END OF YEAR	$22 207 012	$14 802 844

SOCIÉTÉ QUÉBÉCOISE DE RÉCUPÉRATION ET DE RECYCLAGE (RECYC-QUÉBEC)

BALANCE SHEET
as at March 31, 2002

	2002	2001
ASSETS		
Current assets		
Cash on hand		$189 315
Short-term investments – at cost (Note 7)	$4 871 616	20 557 040
Financial investments		147 000
Accounts receivable (Note 8)	8 178 826	5 303 574
Prepaid expenses and other	91 114	62 472
	13 141 556	26 259 401
Long-term investments (Note 9)	23 517 661	
Collectable amounts (Note 14)		337 087
Financial investments		73 500
Fixed assets (Note 10)	351 691	289 363
	$37 010 908	$26 959 351
LIABILITIES		
Current liabilities		
Outstanding cheque less cash on hand	$74 641	
Accounts payable (Note 12)	3 011 564	$2 258 621
Deferred Gouvernement du Québec subsidies (Note 13)	2 407 754	1 286 262
Deposit entry on fines (Note 15)	1 161 813	1 044 799
Amounts refundable (Note 14)	595 020	219 126
	7 250 792	4 808 808
Allowance for losses on loan guarantees (Note 17)	122 500	266 262
Allowance for refund of deposits	5 477 903	5 184 977
Allowance for payment of recovery incentives	1 952 701	1 896 460
	14 803 896	12 156 507
EQUITY	22 207 012	14 802 844
	$37 010 908	$26 959 351

CONTINGENCIES (Note 17)

On behalf of the Board of Directors,
Michel Cyr
Christian L. Van Houtte

SOCIÉTÉ QUÉBÉCOISE DE RÉCUPÉRATION ET DE RECYCLAGE (RECYC-QUÉBEC)

CASH FLOWS
for the year ended March 31, 2002

	2002	2001
OPERATING ACTIVITIES		
Excess of revenue over expenditure	$7 404 168	$8 138 119
Items not affecting cash and cash equivalents:		
Recovery of financial interest and loan guarantees	(310 938)	(13 063)
Gain on disposal of investments	(89 082)	
Losses on disposal of fixed assets	4 292	9 637
Depreciation of fixed assets	129 010	108 013
Amortization of the discount and premium on investments – net	6 242	
	7 143 692	8 242 706
Changes in assets and liabilities related to operations	112 379	5 072 609
Cash flows provided by operating activities	7 256 071	13 315 315
INVESTMENT ACTIVITIES		
Proceeds from disposal of financial interests	425 000	1 015 288
Proceeds from disposal of investments	32 087 150	
Acquisition of investments	(55 521 971)	
Acquisition of fixed assets	(196 365)	(140 775)
Proceeds from disposal of fixed assets	735	2 250
Cash flows (used for) provided by investment activities	(23 205 451)	876 763
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(15 949 380)	14 192 078
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	20 746 355	6 554 277
CASH AND CASH EQUIVALENTS, END OF YEAR	$4 796 975	$20 746 355

The breakdown of ash and cash equivalents is as follows:

(Outstanding cheques less cash on hand) cash on hand	$(74 641)	$189 315
Short-term investments	4 871 616	20 557 040
	$4 796 975	$20 746 355

SOCIÉTÉ QUÉBÉCOISE DE RÉCUPÉRATION ET DE RECYCLAGE (RECYC-QUÉBEC)

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

A legal person within the meaning of the Civil Code, the Société québécoise de récupération et de recyclage (RECYC-QUÉBEC) was established under the Act respecting the Société québécoise de récupération et de recyclage (R.S.Q., c. S-22.01).

The purpose of the Société is to promote, develop and foster the reduction, reuse, recovery and recycling of containers, packaging, materials or products with a view to resource conservation.

In order to foster recovery, reuse and recycling, the Société has implemented funding programs aimed at businesses operating in these areas.

The Gouvernement du Québec mandated the Société to implement the integrated management program for used tires and the program for emptying used tire storage sites in Québec for the fiscal years 2001-2008.

The Société is also responsible for administering agreements relating to the consignment, recovery and recycling of non-refillable beer and soft drink containers entered into pursuant to the Act respecting the sale and distribution of beer and soft drinks in non-returnable containers (R.S.Q., c. V-5.001).

During the fiscal year, the Gouvernement du Québec entrusted the Société with the implementation and administration of the Government's financial assistance program for the development of waste management plans designed to provide financial support to the municipalities and regional county municipalities for the development of their management plan.

Under section 3 of its incorporating legislation, the Société is an agent of the State and, consequently, not subject to federal or provincial income tax.

2. ACCOUNTING POLICIES

The financial statements of the Société were prepared by management in accordance with accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Deposits - net

Revenue from deposits on containers sold, deposit refunds and recovery incentives are recorded according to the reports submitted by the parties to agreements.

An allowance is recorded for the refund of deposits and recovery incentives for containers sold during the year and recovered after the end of the year or after the agreements expire.

In accordance with the agreements, reports are subject to inspection. Adjustments made following these inspections are charged to revenue for the year in which they are known.

Long-term investments

Bonds are recorded at amortized cost. Mutual fund units are recorded at cost. Discounts and bond premiums are amortized using the straight-line method over the duration remaining for each security. The amortization of discounts and premiums is recorded under investment income. Investment management fees are deducted from investment income.

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

2. ACCOUNTING POLICIES (cont'd)

Fixed assets

Fixed assets are recorded at cost and depreciated over their useful lives according to the following methods and rates:

	Method	Rate
Furniture and equipment	Diminishing balance	20%
Data processing equipment	Diminishing balance	30%
Software	Straight-line	50%
Leasehold improvements	Straight-line	Term of the lease

Allowance for losses on loan guarantees

The allowance for losses is calculated by evaluating potential losses on each activity individually, but cannot be less than 25% of the balance owed on outstanding loans.

Allowance for the refund of deposits

An allowance has been set up to provide the sums required to refund deposits on containers sold before March 31 that will be recovered after the end of the year or after the agreements expire. This allowance was established according to the recovery rates anticipated by management, after deducting deposits recorded on containers recovered derived from sales during the year. For the purposes of the allowance, the recovery rate for 5¢ containers has been set at 75.59% as at March 2002 (2001: 74.63%), and at 81.10% for 10¢ containers put in market since April 2001 and at 82.32% for 20¢ containers (2001: 80.33%).

Allowance for the payment of recovery incentives

An allowance has been set up to provide the sums required to pay recovery incentives of $0.02 for each container recovered by a party to the agreement as at March 31, which will be claimed after the end of the year. This allowance was established according to the same rate as that used to calculate the allowance for the refund of deposits.

Other assets and liabilities

The fair value of cash on hand, short-term investments, accounts receivable and accounts payable is equal to their book value given their pending maturity.

Pension plans

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that Recyc-Québec lacks sufficient information to apply the accounting procedure for defined benefit-plans.

Cash flows

The Commission's policy consists in presenting under cash and cash equivalents bank balances and short-term investments that can easily be converted in the short term to a known amount of cash, whose value is not likely to change significantly.

3. CONTRIBUTIONS BY INDUSTRIAL ORGANIZATIONS

Under a paint container recovery agreement, twice a year, a non-profit organization designated by paint manufacturers must pay the Société an amount for information, awareness, education, coordination and results monitoring purposes.

SOCIÉTÉ QUÉBÉCOISE DE RÉCUPÉRATION ET DE RECYCLAGE (RECYC-QUÉBEC)

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

4. DEPOSITS - NET

	2002	2001
Soft drinks, etc.		
Deposits on containers sold	$533 418	$393 857
Doubtful accounts	1 143	1 187
Refund of deposits	(220 204)	(194 814)
Recovery incentives	(55 892)	(97 601)
Surplus	$258 465	$102 629
Beer		
Deposits on containers sold	$15 921 223	$12 042 539
Refund of deposits	(13 013 693)	(9 371 562)
Recovery incentives	(1 912 483)	(2 240 351)
	995 047	430 626
Amount refundable (Note 14)	(995 047)	(430 626)
Management fees		
Salaries and fringe benefits	$246 521	$261 033
Advertising and forms	53 790	52 784
Professional fees	80 810	78 859
Courier services and telecommunications	6 226	9 120
Rent, taxes and insurance	33 081	47 260
Travelling and meetings	14 212	19 420
Supplies, maintenance and miscellaneous expenses	7 129	11 412
Training, subscriptions and assessments	3 680	5 172
Depreciation of fixed assets	13 198	18 146
	458 647	503 206
Administrative expenses recovered (Note 14)	(289 532)	(332 772)
	$169 115	$170 434

Under the consignment agreement, softdrink container recovery and recycling implemented on December 1, 1999, collection and reimbursement of consignment fees and payment of recovery incentives are carried out by a non-profit organization designated by Québec softdrink bottlers.

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

5. USED-TIRE PROGRAM

	2002	2001
Management fees		
Salaries and fringe benefits	$734 235	$558 676
Advertising and forms	141 047	64 001
Professional fees	213 231	97 505
Site promotion, study and testing	18 476	
Courier services and telecommunications	31 524	22 093
Rent, taxes and insurance	167 925	121 742
Travelling and meetings	54 378	40 130
Supplies, maintenance and miscellaneous expenses	36 190	27 647
Training and subscriptions	16 348	15 814
Depreciation of fixed assets	66 995	43 961
	$1 480 349	$991 569
Non-refundable contributions		
Site emptying	$2 307 528	$575 293
Transportation and stockpiling	5 657 083	5 109 864
Retreading assistance		356 346
Recycling assistance – primary processing	3 057 153	2 826 086
Recycling assistance – secondary processing	590 812	1 227 357
Technological development assistance	144 026	77 728
Assistance for recovery energy value	658 711	437 420
	$12 415 313	$10 610 094

6. OPERATING EXPENSES

	2002	2001
Advertising and promotion	$67 313	$34 835
Professional fees	178 479	75 106
Information highway	26 768	8 470
Courier services and telecommunications	23 011	23 071
Rent, taxes and insurance	122 363	119 557
Travelling	82 048	45 071
Equipment rental	5 289	5 015
Maintenance and repairs	7 969	9 618
Supplies and miscellaneous expenses	13 113	14 443
Representation, meetings and conferences	24 096	18 013
Training and upgrading	16 730	20 388
Subscriptions, documentation and assessments	11 958	10 246
Depreciation of fixed assets	48 818	45 906
	$627 955	$429 739

7. SHORT-TERM INVESTMENTS

Short-term investments, recorded at cost, represent discount notes. Fixed interest rates vary from 1.89% to 2.29%. These investments mature during the next fiscal year.

8. ACCOUNTS RECEIVABLE

	2002	2001
Deposits	$1 474 171	$890 007
Fines – bottlers (Note 15)	1 161 813	1 044 799
Tires	3 073 610	2 933 566
Gouvernement du Québec subsidy receivable (Note 13)	1 870 000	
Other	282 077	167 236
Accrued interest	317 155	267 966
	$8 178 826	$5 303 574

9. LONG-TERM INVESTMENTS

	2002	2001
Bonds 4.875% to 6.770%, maturing on various dates up to 2012	$18 522 868	
Bond mutual fund units	4 994 793	
	$23 517 661	

Bonds mature as follows:

	2002	2001
2004	$1 015 363	
2005	3 496 945	
2006	4 102 453	
2007	500 000	
2008 and thereafter	9 408 107	
	$18 522 868	

The market value of these investments is $23 652 232. The management fees for the fiscal year's investments total $54 809.

10. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net	Net
Furniture and equipment	$323 546	$258 695	$64 851	$71 848
Data processing equipment	336 645	200 393	136 252	135 096
Software	421 013	275 210	145 803	80 763
Leasehold improvements	50 637	45 852	4 785	1 656
	$1 131 841	$780 150	$351 691	$289 363

11. BANK LOAN

At March 31, 2002, the Société had a bank line of credit of $200 000. The sums used bear interest at the prime rate.

12. ACCOUNTS PAYABLE

	2002	2001
Salaries and fringe benefits	$255 646	$197 691
Accounts payable and accruals	583 787	528 397
Deposits and recovery incentives	749 509	462 703
Non-refundable contributions – used-tire program	1 422 622	1 069 830
	$3 011 564	$2 258 621

13. DEFERRED GOUVERNEMENT DU QUÉBEC SUBSIDIES

	2002	2001
Education, awareness, R&D and composting projects	$537 754	$1 286 262
Government assistance program for waste management plans	1 870 000	
	$2 407 754	$1 286 262

During a previous fiscal year, the Société collected $3 000 000 in Gouvernement du Québec subsidies applicable to support for educational projects, awareness, research and development and waste composting. At March 31, 2002, the amounts used for this purpose totalled $2 462 246 including $748 508 for the current fiscal year.

Moreover, this fiscal year, the Société received a Gouvernement du Québec subsidy of $1 870 000 under an Order-in-Council dated March 27, 2002 for the implementation of the Government assistance program for waste management plans.

14. COLLECTABLE (REFUNDABLE) AMOUNTS

	2002	2001
Short-term amounts (refundable)	$(595 020)	$(219 126)
Short-term amounts recoverable		337 087
Total amounts (refundable) recoverable	$(595 020)	$117 961

Under the consignment agreement, throw-away softdrink container recovery and recycling, in effect since December 1, 1999, "Boissons gazeuses environnement", the organization representing the signatories, must refund certain amounts paid by the Société or to be refunded by the Société from some of the amounts it has disbursed. As at March 31, 2002, refundable amounts were estimated at $302 254 (2001: $503 697).

Under the agreement respecting the consignment, recovery and recycling of non-refillable beer containers, in effect from January 1, 1998 to December 31, 2001, and its renewal in effect since January 1, 2001, the parties must reimburse to the Société the amount of the annual deficit (calendar year) arising from the deposit-return systems for their containers (consignment collected and reimbursed, recovery incentives and administrative expenses). In cases where the annual results calculated are too high, the surplus will be returned to members. The Société estimates the amounts refundable as at March 31, 2002 at $292 766 (2001: amounts collectable at $621 659).

15. TEMPORARY DEPOSIT ON PENALTIES

Under the agreement signed in December 1999, "Boissons gazeuses environnement" must pay the Société a temporary penalty since it did not attain its recovery objective. The amount of the temporary deposit was $1 161 813 as at March 31, 2002 (2001: $1 044 799). However, this penalty will be acquired on March 31, 2003 only if the agreement's target objectives are not reached.

At March 31, 2002, since the objectives for the year 2000 provided for in the agreement were not reached, the amount of the temporary penalty ($1 044 799) was considered acquired and recorded to the Société's revenues.

16. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements and recorded at exchange value, the Société is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Société did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

17. CONTINGENCIES

The Société guarantees the losses that may be incurred by a financial institution on a loan granted to business. The Société signed a loan guarantee agreement for a maximum of $490 000 for which the balance owing on the loan amounted to $440 000 at March 31, 2002.

18. PENSION PLANS

The staff members of the Société participate in the Government and Public Employees Retirement Plan (RREGOP), the Management Personnel Retirement Plan (MPRP) or the Upper Management Retirement Plan (RRAS). These are interenterprise defined-benefit plan and include guaranteed payments upon retirement and death.

The Société's contributions charged to the year-end statement amount to $48 964 (2001: $43 080). The Société's liability towards these Government plans is restricted to its contributions as an employer.

19. COMPARATIVE FIGURES

Certain 2001 figures were reclassified for consistency with the presentation adopted in 2002.

SOCIÉTÉ QUÉBÉCOISE DE RÉCUPÉRATION ET DE RECYCLAGE (RECYC-QUÉBEC)

MANAGEMENT'S REPORT

The financial statements of the Société québécoise de récupération et de recyclage (Recyc-Québec) were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Société recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors oversees the manner in which management performs its financial reporting duties, and has approved the financial statements. It is assisted by the audit committee, whose members are not management. The audit committee meets with management and the auditor, reviews the financial statements and recommends their approval to the board of directors.

The Auditor General of Québec has audited the Société's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the audit committee to discuss any matter related to the audit.

Jean-Maurice Latulipe, President
Richard Boisvert, CA
Vice-President, Finance and Administration

Anjou, July 5, 2002

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Société québécoise de récupération et de recyclage (RECYC-QUÉBEC) as at March 31, 2002 and the statements of revenue and expenditure, equity and cash flows for the year then ended. These financial statements are the responsibility of Société management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Société's financial position as at March 31, 2002 and the results of the operations and cash flows for the year then ended, in accordance with generally accepted accounting principles in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, July 5, 2002

SOCIÉTÉ QUÉBÉCOISE D'INFORMATION JURIDIQUE (SOQUIJ)
(R.S.Q., c. S-20)

REVENUE AND EXPENDITURE
for the year ended March 31, 2002

	2002	2001
REVENUE FROM PUBLICATIONS AND SERVICES (Note 3)	$9 738 913	$9 171 846
COST OF PUBLICATIONS AND SERVICES (Note 4)	6 206 552	5 765 487
GROSS REVENUE	3 532 361	3 406 359
OVERHEAD AND ADMINISTRATIVE EXPENSES (Note 5)	2 877 582	2 616 478
NET REVENUE	$654 779	$789 881

SURPLUS
for the year ended March 31, 2002

	2002	2001
SURPLUS (DEFICIT), BEGINNING OF YEAR	$597 793	$(192 088)
Net revenue	654 779	789 881
	1 252 572	597 793
Net revenue owing to the Gouvernement du Québec (Note 6)	(652 572)	
SURPLUS, END OF YEAR	$600 000	$597 793

SOCIÉTÉ QUÉBÉCOISE D'INFORMATION JURIDIQUE (SOQUIJ)

BALANCE SHEET
as at March 31, 2002

	2002	2001
ASSETS		
Current assets		
Cash on hand	$1 819 488	$1 049 372
Accounts receivable	1 556 575	1 337 799
Publications inventory	242 481	260 684
Work in progress – publications	390 249	331 995
Prepaid expenses	105 364	79 559
	4 114 157	3 059 409
Fixed assets (Note 7)	381 729	283 240
	$4 495 886	$3 342 649
LIABILITIES		
Current liabilities		
Accounts payable and accruals	$1 436 288	$1 095 654
Deferred revenue	1 405 087	1 315 687
	2 841 375	2 411 341
Net revenue to be remitted to the Gouvernement du Québec	652 572	
Provision for sick leave	324 934	240 009
Deferred lease inducement	77 005	93 506
	3 895 886	2 744 856
SURPLUS (Note 6)	600 000	597 793
	$4 495 886	$3 342 649

COMMITMENTS (Note 10)

On behalf of the Société,
Estelle Tremblay
Yves Lauzon

SOCIÉTÉ QUÉBÉCOISE D'INFORMATION JURIDIQUE (SOQUIJ)

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

A legal person within the meaning of the Civil Code, the Société québécoise d'information juridique (SOQUIJ) was established under a special act (R.S.Q., c. S-20) for the purpose of promoting research, processing and development of legal information in order to improve its quality and accessibility to the general public.

Under the Income Tax Act (R.S.C.1985, c. 1, 5th supplement) and the Taxation Act (R.S.Q., c. I-3), the Société is not subject to income tax.

2. ACCOUNTING POLICIES

The financial statements of the Société were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements. The statement of cash flow is not shown as it would not provide any useful supplementary information regarding the Société's cash flow during the year.

Inventory and work in progress - publications

Inventory of publications is valued at the lower of cost and net realizable value. Work in progress related to publications is valued at cost. The cost of each publication includes direct design and publishing costs (labour, materials and printing) and related indirect costs. The participation of certain agencies is deducted from this amount.

Fixed assets

Fixed assets are recorded at cost and depreciated on a straight-line basis at the following rates:

Office furniture and leasehold improvements	20%
Data processing equipment	33 1/3%

Deferred revenue

Receipts from subscriptions and other publications are deferred and then transferred to operations upon shipment.

Deferred lease inducement

The lease inducement granted the Société by the lender represents the sum of free rent for the rental of administrative offices. The inducement is amortized using the straight-line method over the remainder of the lease, i.e. until November 2006.

Pension plans

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the Société lacks sufficient information to apply the accounting procedure for defined-benefit plans.

3. REVENUE FROM PUBLICATIONS AND SERVICES

	2002	2001
Private customers	$7 624 681	$7 204 045
Gouvernement du Québec departments and agencies	2 114 232	1 967 801
	$9 738 913	$9 171 846

4. COST OF PUBLICATIONS AND SERVICES

	2002	2001
Publications inventory and work in progress, beginning of year	$592 679	$685 773
Direct production costs *	6 514 432	5 939 709
Participation of agencies in certain publications	(267 829)	(267 316)
	6 839 282	6 358 166
Publications inventory and work in progress, end of year	(632 730)	(592 679)
Amortization of development costs - publications	$6 206 552	$5 765 487

* These costs include $156 837 (2001: $176 738) in amortization of fixed assets.

5. OVERHEAD AND ADMINISTRATIVE EXPENSES

	2002	2001
Salaries and fringe benefits	$1 783 999	$1 467 271
Professional fees	45 217	121 579
Travelling and representation	85 134	69 849
Communications and courier services	32 511	46 428
Rent and municipal taxes	701 992	687 663
Stationery and office supplies	38 381	38 979
Staff training du personnel	43 188	67 074
Documentation and books	41 888	37 776
Insurance	31 965	23 853
Equipment rental and maintenance	50 391	45 461
Depreciation of fixed assets	22 916	10 545
	$2 877 582	$2 616 478

The fiscal year's amortization of the deferred lease inducement was $16 501 (2001: $16 501) recorded as a decrease in rental costs.

6. SURPLUS

The net revenue for any given fiscal year must be paid into the Consolidated Revenue Fund of the Gouvernement du Québec after creation of a working capital fund. The amount determined by the Government is $600 000.

7. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net	Net
Leasehold improvements	$26 294	$15 776	$10 518	$15 776
Office furniture	195 852	129 452	66 400	40 148
Data processing equipment	1 516 057	1 211 246	304 811	227 316
	$1 738 203	$1 356 474	$381 729	$283 240

Acquisitions of fixed assets for the year amount to $228 210 (2001: $223 978).

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

8. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements and recorded at exchange value, the Société is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Société did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

At the end of the fiscal year, the amounts owing by Gouvernement du departments and agencies Québec totalled $294 727 (2001: $128 818).

9. FUTURE FRINGE BENEFITS

The staff members of the Société participate in the Government and Public Employees Retirement Plan (RREGOP) or the Pension Plan of Management Personnel (PPMP). These are interenterprise defined-benefit plans and include guaranteed payments upon retirement and death.

The Société's contributions charged to the year-end statement amount to $146 754 (2001: $134 743). The Société liability towards this Government plan is restricted to its contributions as an employer.

10. COMMITMENTS

The Société is committed to long-term leases for office space, warehousing and equipment, expiring on various dates until November 2006.

Lease payments for the year ended March 31, 2002, amount to $1 306 432 (2001: $1 265 892). The minimum lease payments for the coming fiscal years are as follows:

2003	$895 547
2004	656 228
2005	641 435
2006 and 2007	1 069 058
	$3 262 268

SOCIÉTÉ QUÉBÉCOISE D'INFORMATION JURIDIQUE (SOQUIJ)

MANAGEMENT'S REPORT

The financial statements of the Société québécoise d'information juridique (SOQUIJ) were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Société recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors oversees the manner in which management performs its financial reporting duties, and has approved the financial statements.

The Auditor General of Québec has audited the Société's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the board of directors to discuss any matter related to the audit.

Claude-Paul Hus
Director General

Micheline Montpetit
Director of Legal Information

Montréal, July 22, 2002

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of the Société québécoise d'information juridique (SOQUIJ) as at March 31, 2002 and the statements of revenue and expenditure and surplus allocated to working capital for the year then ended. These financial statements are the responsibility of Société management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Société's financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, given the retroactive application of the change in the accounting treatment of accumulated vacation time and sick leave disclosed in Note 3, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, July 22, 2002

TÉLÉ-QUÉBEC (SOCIÉTÉ DE TÉLÉDIFFUSION DU QUÉBEC)
(R.S.Q., c. S-12.01)

REVENUE AND EXPENDITURE
for the year ended March 31, 2002

	2002	2001 (Note 3)
REVENUE		
Gouvernement du Québec subsidies		
Operations	$58 591 800	$53 425 100
Transfer of deferred subsidies (Note 11)	2 107 633	1 117 310
Repayment of advance		1 800 000
Activities involving the production and distribution of educational material	1 260 462	2 107 987
Other	462 000	124 422
	62 421 895	58 574 819
Sales, services and other revenue	12 363 187	12 442 278
	74 785 082	71 017 097
EXPENDITURE (Note 4)		
Programming	39 453 906	36 444 867
Production and technology	12 614 480	11 747 598
Administration	12 470 070	11 457 454
Marketing and communications	4 194 285	3 634 764
Institutional development	2 093 056	879 678
Depreciation of fixed assets	3 781 300	3 652 887
Financial expenses – net (Note 5)	85 216	238 765
	74 692 313	68 056 013
EXCESS REVENUE OVER EXPENDITURE	$92 769	$2 961 084

SURPLUS
for the year ended March 31, 2002

	2002	2001 (Note 3)
OPENING BALANCE		
Previously established balance	$1 997 716	$(361 765)
Adjustment (Note 3)		
Gouvernement du Québec subsidies		
Repayment of long-term debt	7 810 174	7 208 571
Financing of accumulated vacation time	1 835 000	1 835 000
Adjusted opening balance	11 642 890	8 681 806
Excess revenue and expenditure	92 769	2 961 084
CLOSING BALANCE	$11 735 659	$11 642 890

TÉLÉ-QUÉBEC (SOCIÉTÉ DE TÉLÉDIFFUSION DU QUÉBEC)

BALANCE SHEET
as at March 31, 2002

	2002	2001 (Note 3)
ASSETS		
Current assets		
Accounts receivable	$4 642 318	$4 114 038
Gouvernement du Québec subsidies receivable (Note 6)	1 461 711	4 138 304
Programs produced and in production	1 006 777	1 011 256
Broadcastings and distribution rights and participation in outside productions	30 211 280	21 000 382
Production and technical supplies	463 565	458 442
Prepaid expenses	186 438	277 518
Deferred expenses		174 997
	37 972 089	31 174 937
Investment in a satellite corporation (Note 7)	2 750 000	
Gouvernement du Québec subsidies receivable (Note 6)	9 435 833	9 990 312
Fixed assets (Note 8)	17 451 907	17 294 695
	$67 609 829	$58 459 944
LIABILITIES		
Current liabilities		
Outstanding cheques less cash on hand	$262 232	$2 604 928
Loans from financial institutions (Note 9)	15 344 000	9 494 000
Accounts payable and accruals	7 958 906	6 070 669
Broadcasting and distribution rights and participation in outside productions – payable	12 726 262	7 788 033
Instalments on long-term debt (Note 10)	1 811 604	1 544 802
Deferred revenue (Note 11)	1 642 699	2 970 919
	39 745 703	30 473 351
Long-term debt (Note 10)	12 878 470	14 690 074
Gouvernement du Québec advance, interest-free and no repayment terms	2 750 000	
Deferred revenue (Note 11)	499 997	1 653 629
	55 874 170	46 817 054
SURPLUS	11 735 659	11 642 890
	$67 609 829	$58 459 944

CONTINGENCIES (Note 13)

On behalf of the Board of Directors,
Micheline Paradis
Robert Forget

TÉLÉ-QUÉBEC (SOCIÉTÉ DE TÉLÉDIFFUSION DU QUÉBEC)

CASH FLOWS
for the year ended March 31, 2002

	2002	2001 (Note 3)
OPERATING ACTIVITIES		
Excess revenue over expenditure	$92 769	$2 961 084
Items not affecting liquid assets:		
Depreciation of fixed assets	3 781 300	3 652 887
Transfer of deferred income	(4 124 551)	(3 572 354)
Loss (gain) on disposal of fixed assets	(64)	6 381
Amortization of the premium on the deferred long-term debt		(2 589)
	(250 546)	3 045 409
Change in non-cash items elements of the Working Capital Fund (Note 12)	1 672 013	878 786
Cash flows provided for operating activities	1 421 467	3 924 195
FINANCING ACTIVITIES		
Gouvernement du Québec subsidies receivable	554 479	515 707
Gouvernement du Québec advance	2 750 000	
Long-term debt		2 544 150
Repayment of long-term debt	(1 544 802)	(849 818)
Repayment of Gouvernement du Québec advance		(1 800 000)
Cash flows provided by financing activities	1 759 677	410 039
INVESTMENT ACTIVITIES		
Investment in a satellite corporation	(2 750 000)	
Acquisition of fixed assets	(3 945 476)	(2 769 747)
Proceeds from disposal of fixed assets	7 028	5 964
Cash flows used to investment activities	(6 688 448)	(2 763 783)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3 507 304)	1 570 451
DEFICIENCY IN CASH AND CASH EQUIVALENTS	(12 098 928)	(13 669 379)
DEFICIENCY IN CASH AND CASH EQUIVALENTS END OF YEAR (Note 12)	$(15 606 232)	$(12 098 928)

TÉLÉ-QUÉBEC (SOCIÉTÉ DE TÉLÉDIFFUSION DU QUÉBEC)

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

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1. CONSTITUTION AND PURPOSE

A legal person within the meaning of the Civil Code, Télé-Québec was established by the Act respecting the Société de télévision du Québec (R.S.Q., c. S-12.01).

The main purpose of Télé-Québec is to operate an educational and cultural television broadcasting service and a service for producing and disseminating audiovisual, multimedia and television broadcasts.

2. ACCOUNTING POLICIES

The financial statements of Télé-Québec were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Subsidy recording

Subsidies are recorded as revenues in the fiscal year during which the corresponding expenditures are incurred.

Programs produced and in production

Programs already produced and in production are entered at average cost. Cost includes the direct cost of supplies and services in addition to the share of labour costs and overhead allocated to each program. The average cost for a given program is charged to operations when the program is broadcast or declared unusable.

Broadcasting and distribution rights and participation in outside productions

Broadcasting and distribution rights for audiovisual material are generally acquired for five years. They are capitalized then charged to operations according to the number of broadcasts made and on the following basis, except where they are posted based on the considerations attached to these rights:

50% for the first broadcast;
30% for the second broadcast;
20% for the third broadcast.

Rights on films deemed unusable are written off as soon as such a decision is made.

Télé-Québec's participation in outside productions and the attendant rights are deferred and then charged in full to operations when the program is first broadcast, except where they are posted based on the considerations attached to these rights.

Production and technical supplies

The inventory of production and technical supplies is recorded at cost or net realizable value, whichever is lower. Cost is determined according to the average cost method.

Investment in a satellite corporation

Investment in a satellite corporation is recorded on an equity basis. When the investment posts a permanent decline in value, its book value is reduced to reflect this decline. This reduction is posted directly to the fiscal year's operations.

Fixed assets

Fixed assets are recorded at cost.

The antenna array includes buildings, materials, engineering services, infrastructures, direct labour costs, interest on interim financing during construction and the attendant overhead.

TÉLÉ-QUÉBEC (SOCIÉTÉ DE TÉLÉDIFFUSION DU QUÉBEC)

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

2. ACCOUNTING POLICIES (cont'd)

Fixed assets (cont'd)

Fixed assets are depreciated according to the straight-line method at the following rates:

	Rate
Antenna array	5%
Improvements to antenna array	10%
Technical equipment	10%
Furniture and fixtures	10%
Data processing equipment	20%
Automotive equipment	20%
Leasehold improvements	Term of lease, maximum 5 years
Grouping of installations:	
Technical equipment	6.67%
Furniture and fixtures	6.67%
Leasehold improvements	Term of lease, maximum 15 years

Cash and cash equivalents

Télé-Québec's policy consists in presenting under cash and cash equivalents bank balances including bank overdrafts and loans from financial institutions contracted to meet short-term cash flow commitments.

Pension plans

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that Télé-Québec lacks sufficient information to apply the accounting procedure for defined-benefit plans

3. CHANGE IN ACCOUNTING POLICIES

Gouvernement du Québec subsidies related to long-term debt repayments and advances

As of this fiscal year, all Gouvernement du Québec subsidies are recorded using the deferral method. The subsidies are posted to revenues based on the recognition of the corresponding expenditures. Previously, subsidies for long-term debt repayment and advances were posted directly to surpluses.

This change, applied retroactively, increases the following financial statement items:

	2002	2001
Revenue		
Gouvernement du Québec subsidies		
Transfer of deferred subsidies	$2 107 633	$1 117 310
Repayment of advance		1 800 000
Excess revenue over expenditure	2 107 633	2 917 310
Balance sheet		
Gouvernement du Québec subsidies receivable	9 990 312	10 544 791
Deferred revenue	1 617 307	2 734 617
Surplus	8 373 005	7 810 174

3. CHANGE IN ACCOUNTING POLICIES (cont'd)

Gouvernement du Québec subsidy for financing accumulated vacation time

Th Gouvernement du Québec granted a specific subsidy of $1 835 000 to finance expenditures related to vacation time accumulated by Télé-Québec employees as at March 31, 2000.

The financial statements for the fiscal year ended March 31, 2001 were adjusted accordingly, thereby increasing the following financial statement items:

	2001
Gouvernement du Québec subsidies receivable	$1 835 000
Surplus	1 835 000

4. EXPENDITURE BY CATEGORY

	2002	2001
Salaries and fringe benefits	$25 557 752	$23 472 826
Transportation and communications	3 475 378	3 122 430
Professional, administrative and other services	4 376 973	4 033 892
Rent	6 790 380	6 591 404
Materials and supplies	2 471 202	2 212 628
Broadcasting and distribution rights	25 489 853	23 161 976
Depreciation of fixed assets	3 781 300	3 652 887
Direct expenses – independent productions	2 563 292	1 702 244
Direct expenses – service delivery	49 829	96 982
Financial expenses	85 216	238 765
Accounts receivable written off	16 466	59 500
Loss (gain) on disposal of fixed assets	(64)	5 175
	74 657 577	68 350 709
Programs produced and in production, participation in outside productions – change for the year	34 736	(294 696)
	$74 692 313	$68 056 013

5. FINANCIAL EXPENSES - NET

	2002	2001
Interest on long-term debt	$1 193 039	$1 203 728
Interest on loans from financial institutions	139 604	156 403
Gouvernement du Québec subsidy – interest on long-term debt	(1 247 427)	(1 118 777)
Amortization of deferred premium on long-term debt		(2 589)
	$85 216	$238 765

6. GOUVERNEMENT DU QUÉBEC SUBSIDIES RECEIVABLE

Short-term Gouvernement du Québec subsidies receivable correspond to accrued interest, and repayment of the capital payable on the long-term debt in the next fiscal year and the balance receivable on subsidies linked to specific projects.

The long-term portion represents the balance of Gouvernement du Québec commitments for the long-term repayment of capital.

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

7. INVESTMENT IN A SATELLITE CORPORATION

Télé-Québec holds 25% of shares in a corporation whose main activity is to maintain a French-language television service on arts and culture.

8. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net	Net
Antenna array, including improvements	$26 182 153	$22 438 551	$3 743 602	$3 533 356
Technical equipment	21 399 947	14 947 561	6 452 386	6 001 338
Furniture and fixtures	1 314 994	851 707	463 287	386 090
Data processing equipment	5 446 831	3 806 479	1 640 352	1 840 101
Automotive equipment	651 800	445 310	206 490	85 190
Leasehold improvements	1 058 044	599 805	458 239	300 096
	56 053 769	43 089 413	12 964 356	12 146 171
Grouping of installations:				
Technical equipment	4 620 644	2 430 921	2 189 723	2 420 608
Furniture and fixtures	653 332	348 562	304 770	348 326
Leasehold improvements	4 272 508	2 279 450	1 993 058	2 277 892
	9 546 484	5 058 933	4 487 551	5 046 826
Computer projects pending completion				101 698
	$65 600 253	$48 148 346	$17 451 907	$17 294 695

9. LOANS FROM FINANCIAL INSTITUTIONS

Télé-Québec has credit with a financial institution that is renewed annually on August 31. At March 31, 2002, the maximum amount Télé-Québec could borrow was $16 000 000. The sums borrowed bear interest at the prime rate.

10. LONG-TERM DEBT

	2002	2001
Bond, series "1", 11.25%, maturing May 25, 2008	$5 000 000	$5 000 000
Borrowings on note from the Financing Fund of the Gouvernement du Québec:		
6.22% repayable in annual instalments of $554 449 until June 1, 2004 and an instalment of $3 226 374 on June 1, 2005	4 990 312	5 544 791
6.22% repayable in annual instalments of $469 106 until June 1, 2005	1 876 422	2 345 528
Amounts carried forward	$11 866 734	$12 890 319

10. LONG-TERM DEBT (cont'd)

	2002	2001
Amounts brought forward	$11 866 734	$12 890 319
6.273%, repayable in annual instalments of $533 605 on August 5, 2002	533 605	800 407
5.795%, repayable in annual instalments of $254 415 until December 1, 2010	2 289 735	2 544 150
	14 690 074	16 234 876
Instalments due within one year	1 811 604	1 544 802
	$12 878 470	$14 690 074

Principal payments on the long-term debt over the next five fiscal years are as follows:

2003	$1 278 000
2004	1 278 000
2005	4 050 395
2006	254 415
2007	254 415

11. DEFERRED REVENUE

	2002	2001
Gouvernement du Québec subsidies		
Subventions related to fixed assets for repayment of the long-term debt		
Opening balance	2 734 617 $	3 851 927 $
Subsidy for the fiscal year	990 323	
Transfer to revenue for the fiscal year	(2 107 633)	(1 117 310)
Closing balance	1 617 307	2 734 617
Production and distribution of educational material	7 410	17 872
Specific projects	109 939	1 575 000
	1 734 656	4 327 489
Other revenue from outside productions	310 793	132 223
Rent collected in advance		
Rent expiring in 2003	36 322	84 486
Other	60 925	80 350
	97 247	164 836
Amounts carried forward	$2 142 696	$4 624 548

NOTES TO FINANCIAL STATEMENTS (cont'd)
March 31, 2002

11. DEFERRED REVENUE (cont'd)

	2002	2001
Amounts brought forward	$2 142 696	$4 624 548
Less: Current portion		
Gouvernement du Québec subsidies	1 234 659	2 710 182
Other revenue from outside productions	310 793	132 223
Rent collected in advance	97 247	128 514
	1 642 699	2 970 919
	$499 997	$1 653 629

12. CASH FLOWS

Change in non-cash elements of the Working Capital Fund

	2002	2001 (Note 3)
Variation in accounts receivable	$(528 280)	$(796 942)
Variation in accounts receivable from the Gouvernement du Québec	2 676 593	1 644 294
Variation in broadcasts completed and being produced	4 479	(293 546)
Increase in TV broadcasting and distribution rights and participation in outside productions	(9 210 898)	(4 075 258)
Variation in technical and production supplies	(5 123)	(22 503)
Variation in prepaid expenses	91 080	(93 694)
Variation in deferred expenses	174 997	(174 997)
Variation in accounts payable and accrued liabilities	1 888 237	(108 699)
Variation in TV broadcasting and distribution rights and participation in outside productions payable	4 938 229	1 829 212
Variation in deferred income	1 642 699	2 970 919
	$1 672 013	$878 786

The shortfall of cash and cash equivalents show in the cash flow statement includes the following amounts recorded in the balance sheet:

	2002	2001
Cheques outstanding minus cash	$262 232	$2 604 928
Borrowings from financial institutions	15 344 000	9 494 000
	$15 606 232	$12 098 928

The interest paid during the fiscal year totalled $1 313 478 (2001: $1 349 136).

13. COMMITMENTS

Télé-Québec is committed to long-term leases, expiring at various dates up to 2019, for office space and other goods and services. Some of these leases include a renewal option varying from 1 to 15 years.

Lease payments for the year ended March 31, 2002, amount to $6 600 137 (2001: $6 443 690).

Minimum future payments are as follows:

2003	$5 173 629
2004	4 269 203
2005	4 034 054
2006	3 908 699
2007	3 324 570
2008 and thereafter	38 089 062
	$58 799 217

14. PENSION PLANS

The staff members of Télé-Québec participate in the Government and Public Employees Retirement Plan (RREGOP), the Civil Service Superannuation Plan (CSSP) or the Pension Plan of Management Personnel (PPMP). These are interenterprise defined-benefit plans and include guaranteed payments upon retirement and death.

Télé-Québec's contributions charged to the year-end statement amount to $741 319 (2001: $632 835). Télé-Québec's liability towards these Government plans is restricted to its contributions as an employer.

15. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements and recorded at exchange value, Télé-Québec is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. Télé-Québec did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

16. COMPARATIVE FIGURES

Certain 2001 figures were reclassified for consistency with the presentation adopted in 2002.

TÉLÉ-QUÉBEC (SOCIÉTÉ DE TÉLÉDIFFUSION DU QUÉBEC)

MANAGEMENT'S REPORT

The financial statements of Télé-Québec were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing appropriate accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

Télé-Québec recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The board of directors oversees the manner in which management performs its financial reporting duties, and has approved the financial statements. It is assisted by the audit committee, whose members are not management. The audit committee meets with management and the auditor, reviews the financial statements and recommends their approval to the board of directors.

The Auditor General of Québec has audited Télé-Québec's financial statements in accordance with the auditing standards that are generally accepted in Canada. His report states the nature and scope of his audit and his opinion. The Auditor General may, without restriction, meet with the audit committee to discuss any matter related to the audit.

Paule Beaugrand-Champagne
President and Chief Executive Officer

Line Simoneau, CA
General Manager, Administration, Finance
and Human Resources

Montréal, June 7, 2002

AUDITOR'S REPORT

To the National Assembly

I have audited the balance sheet of Télé-Québec as at March 31, 2002 and the statements of revenue and expenditure, surplus and cash flows for the year then ended. These financial statements are the responsibility Télé-Québec management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

I conducted my audit in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, Télé-Québec's financial position as at March 31, 2002 and the results of its cash flows for the year then ended, in accordance with the accounting principles that are generally accepted in Canada. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, given the retroactive application of the change in accounting treatment of Gouvernement du Québec subsidies for long-term debt repayment and advances disclosed in Note 3, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, June 7, 2002

TRIBUNAL ADMINISTRATIF DU QUÉBEC
(R.S.Q., c. J-3)

REVENUE AND EXPENDITURE AND SURPLUS
for the year ended March 31, 2002

	2002	2001
REVENUE		
Contribution from the Ministère de la Justice	$9 230 100	$9 387 400
Contributions from other Government agencies (Note 3)	17 509 800	15 099 646
Rate-setting	299 750	129 047
Interest on bank deposits and short-term investments	135 505	276 199
Other	16 310	20 718
	27 191 465	24 913 010
EXPENDITURE		
Salaries and fringe benefits	18 582 020	17 827 931
Rent	3 798 622	3 888 527
Transportation and communications	1 285 860	1 161 036
Professional and administrative services	1 645 765	1 171 295
Maintenance and repairs	105 404	126 163
Materials and supplies	350 888	478 424
Depreciation of fixed assets	703 735	585 552
Amortization of systems development costs	198 192	198 507
Other	8 049	18 833
	26 678 535	25 456 268
EXCESS (DEFICIENCY) REVENUE OVER EXPENDITURE	512 930	(543 258)
SURPLUS, BEGINNING OF YEAR	175 031	718 289
SURPLUS, END OF YEAR	$687 961	$175 031

TRIBUNAL ADMINISTRATIF DU QUÉBEC

BALANCE SHEET
as at March 31, 2002

	2002	2001
ASSETS		
Current assets		
Cash on hand	$3 951 071	$3 058 631
Accounts receivable and accrued interest	11 045	20 566
Receivable from Consolidated Revenue Fund (Note 4)	385 825	362 153
Prepaid expenses	25 103	20 971
	4 373 044	3 462 321
Receivable from Consolidated Revenue Fund (Note 4)		372 392
Fixed assets (Note 5)	1 282 432	1 431 572
Systems development costs (Note 6)	907 223	840 211
	$6 562 699	$6 106 496
LIABILITIES		
Current liabilities		
Accounts payable and accruals	$3 547 936	$3 332 409
Amount payable to the Société immobilière du Québec		431 165
	3 547 936	3 763 574
Provision for sick leave (Note 7)	2 326 802	2 167 891
SURPLUS	687 961	175 031
	$6 562 699	$6 106 496

On behalf of the Tribunal,
Gaétan Lemoyne
Roger Hakim

TRIBUNAL ADMINISTRATIF DU QUÉBEC

CASH FLOWS
for the year ended March 31, 2002

	2002	2001
OPERATING ACTIVITIES		
Excess (deficiency) revenue over expenditure	$512 930	$(543 258)
Adjustments for:		
Amortization of fixed assets	703 735	585 552
Amortization of system development expenses	198 192	198 507
	1 414 857	240 801
Variation in elements linked to operations:		
Variation in accounts receivable and interest accrued	9 521	78 147
Decrease in amount receivable from the Consolidated Revenue Fund	348 720	555 530
Variation in prepaid expenses	(4 132)	531
Variation in accounts payable and liabilities	603 443	(134 813)
Increase in the provision for sick leave	158 911	20 194
Variation in the amount payable to the Société immobilière du Québec	(431 165)	431 165
	685 298	950 754
Cash flows from operating activities	2 100 155	1 191 555
INVESTMENT ACTIVITIES		
Acquisition of fixed assets	(869 125)	(533 936)
Systems development expenses	(338 590)	(73 494)
Cash flows used for investment activities	(1 207 715)	(607 430)
INCREASE IN CASH AND CASH EQUIVALENTS	892 440	584 125
OPENING CASH AND CASH EQUIVALENTS	3 058 631	2 474 506
CLOSING CASH AND CASH EQUIVALENTS	$3 951 071	$3 058 631
COMPOSITION OF CASH AND CASH EQUIVALENTS		
Cash on hand	$3 951 071	$3 058 631

TRIBUNAL ADMINISTRATIF DU QUÉBEC

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

1. CONSTITUTION AND PURPOSE

The Tribunal administratif du Québec is a Government agency established under the Act respecting administrative justice (1996, chapter 54), and is mandated to rule on recourses against an administrative authority or a decentralized authority. Under the Income Tax Act (Canada) and the Taxation Act (Québec), the Tribunal administratif du Québec is not subject to income tax.

2. ACCOUNTING POLICIES

The financial statements of the Commission were prepared by management in accordance with the accounting principles that are generally accepted in Canada. These statements include amounts based on best estimates and judgements.

Fixed assets

Fixed assets are recorded at cost and depreciated over their service life on a straight-line basis at the following rates:

Office furniture and equipment	20%
Office automation and computer equipment	33.3%
Software	33.3%
Leasehold improvements	10%

Systems development expenses

Systems development expenses represent the cost of developing the file processing system and the ruling drafting system. These expenses will be posted to operations over a five-year period using the straight-line method of discount accounting once these systems are operational.

Pension plans

The accounting procedure used for defined-contribution plans is applied to interenterprise government defined-benefit plans, given that the Tribunal lacks sufficient information to apply the accounting procedure for defined-benefit plans.

Cash and cash equivalents

The Tribunal's policy consists in presenting under cash and cash equivalents bank balances and short-term investments maturing within three months of the date they were acquired.

3. CONTRIBUTIONS FROM OTHER GOVERNMENT AGENCIES

	2002	2001
Ministère de l'Emploi et de la Solidarité sociale	$8 467 500	$7 761 200
Société de l'assurance automobile du Québec	7 033 200	5 994 542
Régie des rentes du Québec	1 962 700	1 313 700
Commission de la santé et de la sécurité du travail	46 400	30 204
	$17 509 800	$15 099 646

4. RECEIVABLE FROM THE CONSOLIDATED REVENUE FUND

This item represents the balance of the amount set by the Conseil du trésor and the Tribunal for sick leave accumulated as at April 1, 1998, which results from the grouping of courts and other agencies.

5. FIXED ASSETS

	2002			2001
	Cost	Accumulated depreciation	Net	Net
Office furniture and equipment	$531 650	$177 480	$354 170	$313 607
Office automation and computer equipment	2 057 646	1 380 149	677 497	869 636
Software	379 406	291 945	87 461	86 953
Leasehold improvements	179 661	16 357	163 304	161 376
	$3 148 363	$1 865 931	$1 282 432	$1 431 572

6. SYSTEMS DEVELOPMENT COSTS

	2002			2001
	Cost	Accumulated depreciation	Net	Net
Systems development costs	$1 404 619	$497 396	$907 223	$840 211

7. FUTURE FRINGE BENEFITS

Pension plans

The staff members of the Tribunal participate in the Government and Public Employees Retirement Plan (RREGOP), the Civil Service Superannuation Plan (CSSP) or the Pension of Plan of Management Personnel (PPMP). These are defined-benefit plans and include guaranteed payments upon retirement and death.

The Tribunal's contributions charged to the year-end statement amount to $179 206 (2001: $371 533). The Tribunal's liability towards these Government plans is restricted to its contributions as an employer

Some of the Tribunal's staff members participate in none of the Government pension plans. Instead, they receive a sum equivalent to the employer's contribution for the duration of their contract. The amounts paid in this regard and posted to the results for the fiscal year total $41 771 (2001: $39 613).

Provision for sick leave

	2002
Opening balance	$2 167 891
Charge for the year	368 087
Benefits paid during the year	(209 176)
Closing balance	$2 326 802

8. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in its financial statements and recorded at exchange value, the Tribunal is a related party to all government departments, special funds, agencies and enterprises controlled directly or indirectly by the Gouvernement du Québec or subject to either joint control or significant influence by the Gouvernement du Québec. The Tribunal did not carry out any business transactions with these related parties other than during the normal course of operations and under normal business conditions. These transactions are not shown separately in the financial statements.

TRIBUNAL ADMINISTRATIF DU QUÉBEC

MANAGEMENT'S REPORT

The financial statements of the Tribunal administratif du Québec were drawn up by management, which is responsible for their preparation, presentation and the significant judgements and estimates included therein. This responsibility involves choosing accounting policies that comply with the accounting principles that are generally accepted in Canada. All other financial information contained in the annual report is consistent with that presented in the financial statements.

To fulfil its mandate, management maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are duly approved and properly recorded—when appropriate and in a manner suitable for preparing reliable financial statements.

The Tribunal administratif du Québec recognizes that it is responsible for conducting its affairs in accordance with the statutes and regulations governing it.

The Auditor General of Québec has audited the Tribunal's financial statements, in accordance with generally accepted auditing standards. His report states the nature and scope of his audit and his opinion.

Gaétan Lemoyne
President

Roger Hakim, CGA
Director, Administration and
Tribunal Fund

Québec, June 25, 2002

AUDITOR'S REPORT

To the National Assembly

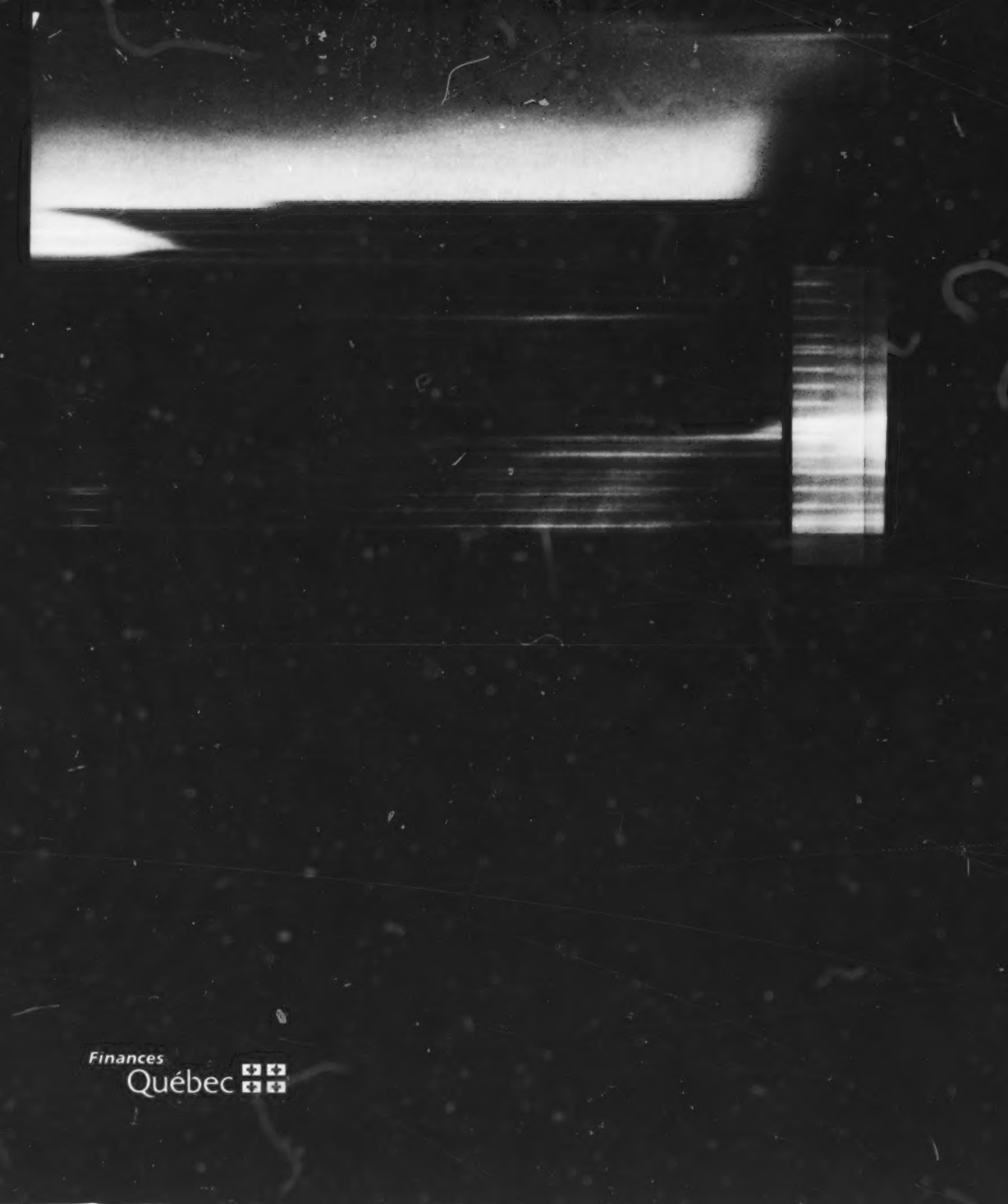
I have audited the balance sheet of the Tribunal administratif du Québec as at March 31, 2002 and the statements of revenue and expenditure and surplus and cash flow for the year then ended. These financial statements are the responsibility of Tribunal management. My responsibility consists in expressing an opinion on these financial statements based on my audit.

My audit was conducted in accordance with the auditing standards that are generally accepted in Canada. They require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes evaluating the accounting principles used, the significant estimates made by management and the financial statements' overall presentation.

In my opinion, these financial statements present fairly, in all material respects, the Tribunal's financial position as at March 31, 2002 and the results of its operations and cash flows for the year then ended, in accordance with generally accepted accounting principles. As required by the Auditor General Act (R.S.Q., c. V-5.01), I report that, in my opinion, these principles were applied on a basis consistent with that of the preceding year.

Doris Paradis, CA
Acting Auditor General of Québec

Québec, June 25, 2002



Finances Québec